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PIONEERS IN POVERTY

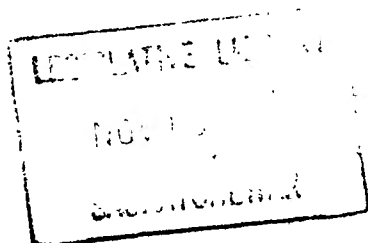


PIONEERS IN POVERTY

Some Facts for Western
Canadians Today

By
The Winnipeg Branch
of the
League for Social Reconstruction

1938



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Introduction

The L.S.R. welcomes the opportunity which has been provided by the Royal Commission on Dominion-Provincial Relations for securing a democratic expression of views from all quarters on the problems which are today facing Canada. The Winnipeg branch has been particularly interested in following "the case for the West" as it has been put in recent sessions. But it is easy to lose oneself in the great mass of evidence, expert and otherwise, and to fail to see the central issues or relate them to the whole economic picture. This booklet tries to sum up and interpret these important facts and opinions as clearly as possible.

The central questions are: Why have the people of the Prairie Provinces suffered so much in the last eight years? What are the economic and political causes? And how can they be remedied? What is needed to bring about decent living conditions and reasonable security for the farmers and wage-earners of this part of Canada? This is a wider question than the political relations of the Dominion and the provinces, or the distribution of the taxing-power alone, which are the Commission's main terms of reference. It is a problem of the way in which Canadian industry trade and finance is organized and controlled. Only a few briefs have attacked this and the Commission will not deal with it. But the collected evidence throws plenty of light for the intelligent citizen to see.

The Western picture has changed considerably since the New World was first seen as a land of freedom and security. It was then a land of unlimited opportunities for those hardy souls who had the courage and vision to transform its virgin stretches into golden wheat-fields, miles of steel, and growing towns and cities. It held a future for their sons and daughters. Western Canada became the home of two and one-half million people—pioneers, and the sons and daughters of pioneers. Why has this land of promise become one in which the ghastly nightmare of insecurity haunts our lives? Why has the spirit which built this country changed to a sense of powerlessness, of futility and confusion which pervades city and country?

We remain a Country of Pioneers, but why Pioneers in Poverty?

The answer is in the fortunes of Agriculture, how it has been developed in the Prairies, and what it depends on today. The well-being not merely of the West, of course, but of Canada, de-

pend on agriculture. But it is, above all, the source of wealth in the Prairie Provinces. The failure of agriculture has brought with it the fall of land values, bankruptcies and loss of hard-won farms, unemployment in the cities, overwhelming municipal relief obligations.

But this does not mean that agriculture in itself is the cause. A country can farm, even for world markets, and still give stability to the farmer—witness New Zealand and Denmark. But not if it is built by unplanned settlement, promoted in a free-for-all by big and little financiers, in which the big ones won out and had the governments of the day on their side to help them, and is then steadily ringed around by the coils of monopolistic industry. The farmer has had to get his credit from the big banks and trust companies, his manufactured commodities from tariff-protected and over-capitalized industries, and to sell his products against the handicaps of millers' rings and produce-market speculation. The elementary structure of marketing boards that even a Conservative cabinet saw as necessary has been placidly swept away by the present government.

The scales were weighted against the real pioneers—the farmers and wage-earners who did and still do the dirty work—once “initiative” and “enterprise” was opened to Big Business as well as to the settler. This distinction between the liberty and independence of the farmer—which he has always held dear—and the liberty of Big Business to exploit him, is a distinction which must never be lost sight of.

This also means that the facts and figures set forth here do not merely stack up a case of “West vs. East”. The farmer and the wage earner of the Prairies have no quarrel with their fellow-Canadians in the East. Their attack is on the intolerably unjust and inefficient balance of power which now exists between finance and industry on the one hand and farmers and workers on the other. This is a national problem. The issue is between the laissez-faire Liberal attitude—incredibly hoping that “things will turn out all right” in face of the present appalling distress and despair—and a new regime which will rebuild the foundations of our economic order.

Capitalist enterprise has reduced the original pioneers to poverty. There is only one remedy: Provincial and Federal governments in Canada who will become Pioneers in Planning—social and economic reconstruction which will restore prosperity by developing the natural resources we still retain, for the use of the majority instead of the profits of the few.



CHAPTER ONE

Agriculture

THE FARMER IN THE CAPITALIST ECONOMY

Agriculture is the outstanding example of the pauperizing effects of our present economy. The impoverished farms and broken lives existing in Western Canada form a vivid part of the picture. The value of farm lands, farm equipment, buildings and livestock have fallen steadily in the last decade, and the future is filled with uncertainty. Farmers as a class are largely unorganized, and are less capable of protecting their welfare than are the organized classes in the community. While the price the farmer receives for his products is determined by world conditions, the cost of all his purchases is controlled to provide large profits for those monopolies and semi-monopolies which supply his wants.

The farmer, as far as the West is concerned, still remains the largest single producer of real wealth. He, as a class, accounts for the largest percentage of the population. Lasting prosperity cannot exist in the West while our farmers remain poverty stricken and burdened with debt. It is not correct to assume that men in the West, under present conditions, can any longer win a living from Mother Nature. They depend not merely on the soil, but on the economic system as a whole. This has changed rapidly since Confederation.

The Beginnings.—The Prairie Provinces were settled under the influence of intensive immigration drives both by the Canadian government and the C.P.R. The building of trans-continental and branch lines made rapid agricultural settlement possible. The Prairie population between 1911 and 1936 increased by 1,386,770,

an increase of 81.8%. From 1911 to 1936 the hectic and unplanned manner of this agricultural settlement resulted in the occupation of vast areas of prairie land, which subsequently proved to be unsuitable for agriculture. During this period the increase in the occupied area was 96.2%. Neither the government, the C.P.R., nor the Hudson's Bay Company—all large land owners—made any effort in the way of soil surveys, etc., to adjust settlement to favorable soil and climatic conditions. The governments of that period wished to promote rapid settlement in order to provide larger markets for the products of the growing manufacturing concerns. The companies mentioned, and land speculators who secured possession of extensive acreages, were interested in profits. In the scramble to carry through these two purposes, the future fate of the farmer received little consideration.

The after-effects of this unplanned prairie settlement appeared in the 1920's. The farmer's optimism had been buoyed up by war-time prices and favorable moisture conditions. He bought land and machinery at high prices, and raised his standard of living generally. Everyone thought this Utopia of prosperity would continue indefinitely as a permanent boom. People failed to realize two things which are now more clearly understood,—the cyclic nature of climate, and the wide variation of prices which prevail in a capitalist economy. The farmer drifted undirected into disaster. His unsound economic position became apparent when, in 1921 and 1922, agricultural prices collapsed. From this period on, farm debts rose rapidly, and this rise was accompanied by a trend from private ownership to tenancy, and also some of the poorer lands were abandoned.

Drought is another factor which has intensified the conditions of hardship under which the farmers laboured in Saskatchewan, Alberta and parts of Manitoba. The natural handicaps to production such as hail, rust, frost, and insect pests increased the farmers' monetary losses. For example, the cash income of the farmers of Saskatchewan declined from nearly 334 million dollars in 1925 to slightly over 48 million dollars in 1937.* The average cash income for the 9-year period, 1929 to 1937, was 65% less than the income for the 8-year period 1921 to 1928. Also the total estimated value of farm land, buildings, livestock, and equipment declined from \$3,255,894,259 in 1921, to \$1,980,115,861 in 1936†,—a disastrous decline of approximately 40%, despite an increase during the same period of 12,444 occupied farms.

* Saskatchewan Government Brief—page 172.

† Canada Year Book, 1937.

Throughout the years of development, all financial resources available to the farmer were fully utilized. Later the low and unstable income from farm products prevented the farmer from accumulating capital reserves. "Thus there has been little in the way of cash reserves, outside investments, or independent income to cushion the shock to the wheat economy which came with drought, and the catastrophic fall in the price of the export staple."[†]

Purchasing Power. — The gross agricultural income utterly failed to meet cash operating expenses, even when the greatest economy had to be exercised, and all the necessary repairs and replacements to equipment had been ignored. "In these areas only the continuous provision of agricultural assistance, (seed, feed, tractor fuel, repairs, binder twine, etc.) and direct relief (food, clothing, fuel, etc.) by governments has prevented complete agricultural collapse and even widespread starvation."* There are some areas where gross income has sufficed to make relief unnecessary, but the farmer has been obliged to accept a standard of living far below that of 1928. Taxes and debt charges have not been paid, and the farm investment has not been maintained. Some idea of the serious decline in income in Saskatchewan is disclosed in the following table:

**Cash Returns per Acre of Wheat in Crop-Reported Districts
of Saskatchewan, 1930-1937[†]**

Districts	1930	1931	1932	1933	1934	1935	1936	1937
South-Eastern —	\$ 5.83	\$1.29	\$3.63	\$ 3.29	\$ 2.01	\$1.04	\$ 3.96	\$2.31
Regina-Weyburn —	4.56	.11	3.32	5.13	2.01	2.95	7.39	Nil
South-Central —	3.25	.61	2.37	1.18	1.28	5.98	2.82	Nil
South-Western —	5.74	1.60	4.96	1.32	1.60	4.20	Nil	Nil
Central —	4.28	2.66	3.53	1.93	3.98	7.38	7.93	Nil
West-Central —	8.65	4.52	5.39	1.23	4.33	5.00	3.34	Nil
East-Central —	6.82	3.57	5.49	10.30	10.12	4.10	14.26	6.93
North-Eastern —	10.62	7.79	7.11	7.10	9.27	9.32	11.35	8.91
North-Western —	13.07	7.28	6.65	5.07	10.12	7.98	5.81	4.73

In addition to climate, other factors have combined to destroy the prosperity of the Western farmer. One of the most important of these is price relationship, or more properly speaking, the value that one commodity has in exchange for others. In order to show this relationship in the following table, the year 1914 is used as the basis of 100.

[‡] Saskatchewan Government Brief—page 176.

* Saskatchewan Government Brief—page 177.

[†] Saskatchewan Government Brief—page 178.

A Table Showing the Farmer's Purchasing Power and the Relative Price of His Requirements*

CROP YEAR		INDEX NUMBER	
	147 Things Farmers Buy		Farm Purchasing Power
1920	196	182	
1921	195	135	
1922	171	94	
1923	164	80	
1924	163	75	
1925	157	139	
1926	157	122	
1927	158	117	
1928	159	116	
1929	162	94	
1930	155	99	
1931	188	49	
1932	130	46	
1933	124	42	
1934	124	59	
1935	126	74	
1936	127	76	
1937	134	114	

It is obvious from this table that the average farmer does not receive a proper exchange value for farm products. What the farm produces fluctuates in price from year to year, but he has to pay more or less consistently high prices for his needs. This unbalanced price relationship increases the difficulties of provincial and municipal governments. It is responsible also for the lowering of the standard of living for the farmer to a point below that which he should expect in return for his contribution of new wealth for the benefit of society. It is in part responsible for the accumulation of debt on farm lands and equipment.

The contrast in price trends is, in no small degree, due to tariff walls which have enabled industrial corporations to resist price declines. The tariff increases the costs of production of agricultural commodities without giving the farmer any corresponding benefits to offset these increased production costs. The effect of this policy on the Prairie Provinces is best summed up in a quotation from the Saskatchewan Government Brief. Referring to the "exploitation" of the Canadian farmer the report shows that it was "intensified in an attempt to produce enough to pay the 'tariff protected prices' of manufactured goods which the farmer consumes. The farmer sells in an international market in which he must compete with the low prices created by coolie labor; but he has to buy in a market which as a result of tariff protection is 5% to 40% higher than world prices". Further illustration of the effect of tariff policy on the Western economy will be shown in subsequent chapters.

* Abstracted from Saskatchewan Government Brief—page 179.

The cost of credit is another factor which bears heavily on the Western farmer. Farmers as a class are forced to borrow. Crop and stock returns, in Western Canada especially, are seasonal in nature. Consequently capital for buying and maturing livestock, and capital to finance spring and harvest operations are an inherent necessity. Again the system of land transfer requires the use of large credit resources. Also, the continuing efficiency of the farmer demands a constant renewal of land and equipment. If we are to do justice to future generations, a far greater expenditure on soil conservation and rehabilitation by the State as well as by the individual farmer is imperative. But farmers have been unable, for the most part, to build up any capital reserves and hence, are obliged to borrow periodically. In the past, the exorbitant interest rates exacted by financial institutions for this service have placed the farmer under what now at last appears to be,—as it should have been realized in the “prosperous” past,—an unpayable burden. Today there can be no hesitation in asserting that he will remain in his present state of insolvency unless: (a) interest rates are materially reduced, thus providing for financial requirements at cost through a public owned banking system, and (b) the form of mortgage contract is altered to relieve the farmer of the obligation of meeting capital and interest payments at “prosperity” rates in years of drought or economic depression, when all their prices and incomes have fallen or been reduced. The privileged position of the bondholder or the mortgage-owner cannot be maintained without peril to the stability of the whole economy.

FARM DEBT AND FARM OWNERSHIP

The tremendous debt carried by Western agriculture is its most serious burden. It has become so immense that it threatens to undermine the whole economic structure of the West, and has forced the Western standard of living to a new low. It is of national interest that this problem be recognized and a solution be swiftly provided. What is its nature, extent and effects?

The land and equipment required for an efficient modern farm need much capital. Speculation in farm real estate, and war-time demands for food-stuffs caused a much too rapid rise in the price of Western acres. The banks freely offered credit for this high-priced land and the necessary equipment. Also, from the beginning of settlement, lumber dealers, hardware merchants, stores, implement companies, vied with each other in their eagerness to sell the farmer his supplies “on time”. It has been correctly stated that the rapidity of development of Western agriculture

was due to the acceptance by the farmer of a high debt structure. As long as homesteading continued, prices remained relatively equitable, economic conditions generally stable, and no trouble ensued. But, at the first sign of price collapse, and drought conditions, banks and other creditors endeavored to force collection of short-term loans. It became necessary for the farmer to transfer his obligations to long-term mortgages. The rate of interest on both short and long-term loans, ranging from 8% upwards, has long been excessive. In the aggregate it has been impossible to meet the carrying charges, much less the capital, out of production, and the farmer who began his operations with the shadow of debt upon him has found it impossible to reach the sunlight of solvency.

The history of the last eighteen years shows a steadily declining farm income. In Saskatchewan alone, "the cash income declined from nearly 334 millions of dollars in 1925 to 66 millions in 1931, and has shown little improvement since that time."* With such curtailment of his income, the farmer found it largely impossible to meet his debt payment. "Obligations which often proved difficult to support with good yields when wheat sold at \$1.25 per bushel, quickly became impossible to meet in terms of 40 cent wheat at lower yields."†

The farmer, as an unorganized individual producer, has no power to regulate or control the price of his product in relation to other commodities on the market. In the semi-monopolized industries such as agricultural implement firms, strong resistance to a decline in price can be made by decreasing production. A drop in price in agricultural commodities, on the other hand, cannot be resisted by a drop in production. Consequently, the farmer under existing conditions of lowered income, has no means by which he may effectively resist decline in income and thus catch up with his debt burden. In fact, the cash reserves of the average farmer were exhausted long before he could make adjustments to 40 cent wheat.

Credit channels were restricted from the beginning of the depression, and left the farmer with no option but to live upon his capital (by allowing his buildings, equipment, and supplies to run down), borrowing on life insurance policies, accumulating numerous small debts, allowing his taxes to fall in arrears, abandoning all forms of insurance, and finally by resorting to government assistance on a large scale.

The terrific decline in agricultural revenue in the Prairie Pro-

* Saskatchewan Government Brief—page 173.

† Ibid—page 188.

vinces is shown in the following comparison of the 5-year period 1926-30 with the period 1931-35:

Decline in Gross Revenue*

Provinces	1926-1930	1931-1935
Manitoba	\$ 622,565,000	\$285,047,000
Saskatchewan	1,661,413,000	631,012,000
Alberta	1,243,335,000	674,666,000

The total decline for the three Prairie Provinces was from \$3,526,313,000 to \$1,590,725,000, more than 50%.

"This decline in the gross revenue of the farmers of the Prairie Provinces is an amount sufficient to pay off the total provincial bonded indebtedness of the three provinces, the total bonded municipal indebtedness, the total mortgage indebtedness of the farmers, with enough left over to finance the three Provincial governments for the next twenty years with the suspension of all existing taxation."[†]

The major factor complicating the difficulty of reducing or liquidating the farm debt is the exorbitant interest rates charged by mortgage companies and other financial institutions. There is some difficulty in securing information regarding the total interest payments and arrears of interest on farm debt. No one, however, will dispute the fact that the rates have been too high in relation to value of production, and are beyond the capacity of the farmer to pay.

Mortgage and other debt contracts entered into by the farmer are drawn up in terms calculated to fully protect the creditor corporations. These contracts require payments of interest or principal or both, each year, irrespective of conditions brought on by drought, hail, rust, or other natural phenomena which operate to destroy the farmer's income, and therefore his ability to pay his debts. This has resulted in (a) his further borrowing from another source, or (b) the relinquishment of his title, and becoming a tenant.

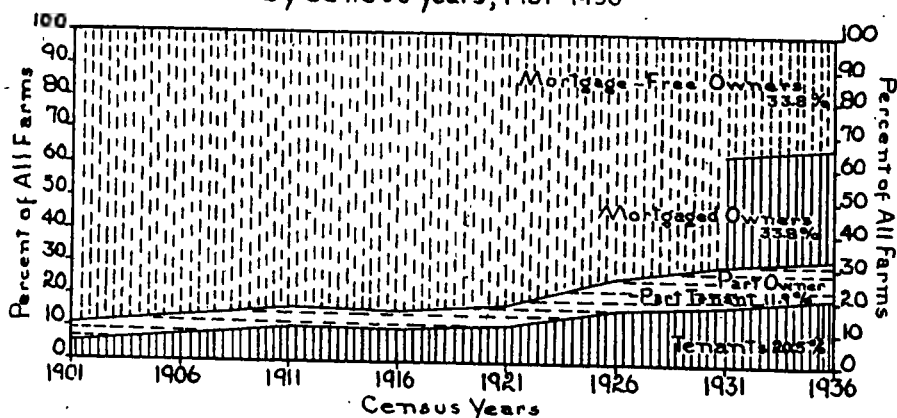
The Census Report on Agriculture for 1936 shows to what a startling extent the latter has developed. The types and percentage of farm holdings in Manitoba and Saskatchewan are shown as follows:

* Memoranda to Royal Grain Inquiry by Man. Co-op. Conference, 1937.

† Ibid.

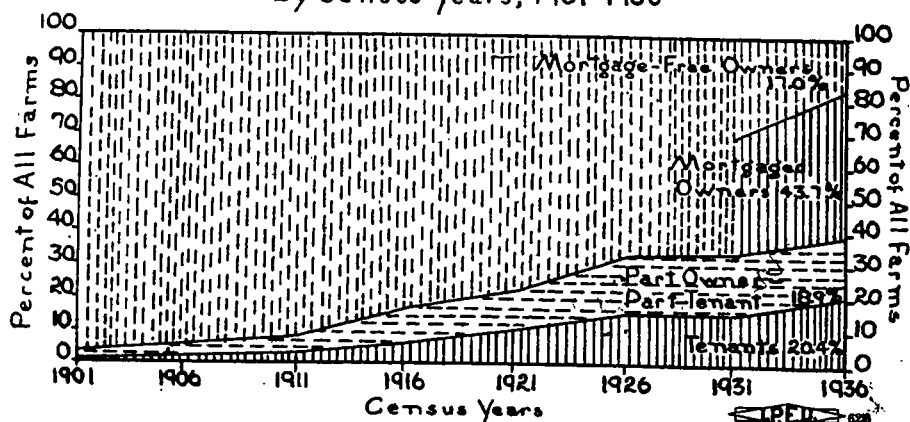
Farm Tenure in Manitoba

By Census Years; 1901-1936⁽¹⁾



Farm Tenure in Saskatchewan

By Census Years; 1901-1936⁽¹⁾



Mortgage Data not listed until 1931.

(1) Data from Dominion of Canada Census.

These graphs show that:

1. In Saskatchewan in 1901 only 1.6% of the farms were occupied by tenants; in 1936, 20.4%.
2. In 1901, 2.3% of the farms were occupied by farmers who were part-owners, part-tenants; this had increased to 18.9% by 1936.
3. In Manitoba, 2% of the farmers in 1901 were tenants, and in 1936, 20%.
4. Part-owners part-tenants have increased from about 8% in 1901 to 14% in 1936.

This rise in tenancy should cause deep concern to everyone interested in the welfare of agriculture. Not only does it indicate the individual loss of farm ownership, but it tends to lower the efficiency and morale of the industry as a whole.

Tenant farmers, having no long-time interest in their land, endeavor to extract from it the maximum return without the least concern for future productivity. Their period of occupation being short, they feel no sense of responsibility for the upkeep of the capital equipment of the farm. They are unlikely to practice methods which will conserve the soil and preserve it as an asset for future generations. Tenancy, because of these reasons, is undesirable and prevents a prosperous, progressive agricultural economy.

Amount of Debt.—We have analyzed some of the reasons for the origin and growth of farm debt. Now let us look at the actual extent of the burden.

In Manitoba, the mortgage debt on land and chattels is estimated at \$92,737,544. Slightly over 19,500 farms reported debts.* This sum therefore amounts to an average of \$4,702 per mortgaged farm, or 65% of total farm land value.

"The burden of agricultural indebtedness in Saskatchewan at the end of 1937 must be in the neighborhood of \$482,000,000, which sum is nearly \$15 per acre of crop land."†, or almost \$7,000 per mortgaged farm. The Saskatchewan brief states that not more than 5% of the farmers are free from debt.

The surveys undertaken by Saskatchewan show that "two-thirds of the total farm debt of the province is in the form of long-term credits closely related to real estate. Implement debts were next in importance, followed by bank debts and taxes, although government assistance was a large item in some communi-

* Manitoba Government Brief.

† Saskatchewan Government Brief—page 196.

ties"* To attempt to estimate the debt owing on account for implements, gasoline, merchandise, medical service, borrowing on life insurance, and so forth, has been found very difficult. The officials of the Voluntary Debt Adjustment scheme estimated this debt at \$91,000,000 at the end of 1936.*

Only one-third of the total mortgage debt in Manitoba is held by private individuals. This means that two-thirds of the huge debt of \$51,322,000 is owed to mortgage companies or financial institutions whose head offices are in the East. As suggested above, it is the high interest rates charged by these companies which are responsible for the accumulation of debts far beyond the capacity of agriculture to pay. "To have paid interest alone on the farm debt of the province would have taken nearly two-thirds of the cash receipts from wheat available for sale in almost every year since 1930."†

It is easy to understand that if every farmer could scrape together enough money to pay the interest on his debts, it could only be at the expense of his standard of living. Studies in living costs of farm families, as reported by the Saskatchewan Government Brief, show in recent years a decrease in all classes of expenditure. "In consequence the home furnishings and necessary general household equipment are now in extremely poor condition . . . clothing needs have been poorly taken care of, although voluntary government assistance has been given to provide for the more pressing needs."

SUMMARY

In brief, agricultural debt has reached its present proportions because of several contributing factors, namely:

1. The high value placed upon land, which has no relation to its long-term productive value.
2. The inflexibility of contracts which force the debtor to make debt payments yearly, irrespective of the amount of his crop or the prices he receives for it, thus placing the obligation to the creditor before obligation to his family.

It must be recognized that the real increase in the debt burden must be attributed in large part to the unequal relationship between the price of the articles which the farmer must buy, and the price he receives for his produce. This relationship has become chronic, with the result that the farmer's purchasing power, and with it his debt-paying ability, has sunk to intolerable levels.

If the causes of the present dead weight load of debt on far-

* Saskatchewan Government Brief—page 195.

† Ibid—page 188.

mers are permitted to continue unchecked, the eventual bankruptcy of agriculture and of the units of government which are dependent upon agriculture will be inevitable.

Recognition of this fact is to be found in the debt postponement legislation of the various provinces and of the Farmers' Creditors' Arrangement Act by the Dominion. Under this latter legislation, a total of 31,740 debtor cases have been considered. The three prairie provinces submitted a total of 14,139 cases, in 11,113 of which material reductions were effected. The figures are approximately as follows: Aggregate debt, \$95,000,000; reduction, \$35,000,000 in principal and \$2,750,000 in interest; a 38% reduction in principal and interest.

But adjustments of debt made under this Act serve only to provide temporary relief. If the present financial system continues, the result will be the re-accumulation of an impossible debt burden in less than 20 years. The time has come when fundamental changes in the system which create this situation must be undertaken if the collapse of Western agriculture is to be avoided.

MORTGAGE CONTRACTS

The basis of mortgage contracts must be such that the interests of creditors do not conflict with general welfare of the people. In our society, the marriage agreement places an obligation upon the husband to provide the essentials of life for the family. This should be regarded as the prior claim upon him. Yet in economic society, the prior right is the claim of property,—mortgage and other contractual arrangements must be paid—even at the risk of failure to provide for the family. Nor has consideration been given for changed economic conditions under which the fulfilment of obligations without injury to human values becomes impossible.

Large corporations take care to have their contracts drawn up under legal guidance. They pay enormous fees for the privilege. Full protection is ensured in such contracts against the possibility of unforeseen and unavoidable factors that may interrupt or decrease their ability to keep its terms. But such contracts contain no provisions protecting the debtor against the effect of extremely low price levels, loss of employment, or so-called "acts of God",—crop failures from hail, frost, drought, etc.

The time has come when provision must be made protecting the farmer-creditor against conditions that arise as the result of forces beyond his control. Legal action should not be taken

against the debtor until his fault has been established. This principle is already recognized in criminal law, under which a man is not guilty until his crime is proven, the crown being under the responsibility of showing this proof. The basic need of course is to set into operation a system of export boards, state crop insurance, and guaranteed primary product prices. But so far as future legal forms are concerned, contracts should be altered and provisions included protecting the debtor against the adverse changes in economic conditions due either to fluctuating prices, unemployment, or "acts of God".



CHAPTER TWO

Agriculture

THE FARMER AND THE DOMINION GOVERNMENT

(1) The Effect of Monetary Policy.

In the international market, a dollar isn't always a dollar,—sometimes you can buy only 50 cents or 70 cents worth of goods for a dollar bill. What you receive for your wheat or other exported products depends on the value of the Canadian dollar in terms of other currencies. If the Canadian dollar bought in the exchange market (i.e. by shippers to Canada, from their banks) costs more in terms of, say, British pounds, it is harder for importers to pay us. Not only this, but every pound received will represent less purchasing power for the Canadian using the dollar at home. This is what happened to Western farmers since about 1930, and it has been estimated that the annual loss represents approximately \$47,000,000.

In 1930, Australian and New Zealand governments saved their producers from similar loss by depreciating their currencies so that 125 of their pounds equalled 100 British pounds. The effect was that the Australian farmers who sold their wheat in Liverpool for £100 received in terms of Australian money £125,—25% more than if the Australian pound had not been depreciated.* Canada did just the opposite. The Dominion Government actually allowed the Canadian dollar to rise in terms of the British pound, because Eastern interests wanted the Canadian dollar "high" in order to pay their debts to the United States. The result in 1933 was that instead of getting 25% more for their wheat, Canadian farmers got 18.3% less. "The losses to the grain growers of the Prairie Provinces resulting from this monetary policy, have amounted—to an annual average of approximately \$47,000,000 since 1931".† This loss was distributed as follows:

Manitoba	\$ 5,300,000
Saskatchewan	23,300,000
Alberta	18,200,000

* Manitoba Government Brief, Part 8—page 21.

† Manitoba Government Brief, Part 3—page 3.

This total, based on figures for 1931-36, is \$46,800,000.† The effect of this policy was just as though the Government of Canada had taken \$161.53 per year from each farmer in Saskatchewan, and proportionate amounts in other provinces.

It cannot be argued in defence of this policy that Eastern Canada also took a fair share of the loss. In the first place, the East depends upon export markets to one-third the extent the West does. In the second place, Eastern Canada's exports of newsprint, metals, etc., during the worst years of the depression were large, and chiefly to the United States, where the dollar was higher than the Canadian dollar.

No other conclusion can be drawn from the foregoing, that the failure to follow a monetary policy for Canadian agriculture which would give equality with competitor nations, was a disability of major proportions. In fact, the loss exceeded the total amount of taxes collected by the municipalities of the three Western provinces. In the case of Manitoba, the loss was as much as the total annual provincial taxes.

If we add to this the cost to Manitoba of the tariff, we find that the combined loss was more than twice as much as the annual Provincial taxes, and more each year than the total of all municipal taxes levied by the 174 municipalities, including the City of Winnipeg. In this, as in the tariff policy, the Dominion Government has been acting in a way utterly opposed to the interests of the primary producers of the country.

At the very time when Australia was laying plans for a splendid recovery out of threatened national insolvency, by means of policies which raised the price of exportable commodities by as much as 25%, Canada did practically nothing to stabilize the prices of agricultural products, and actually raised the tariff still higher. "What history will say about the two Canadian policies, which, in the depth of Western Canada's greatest crisis, placed upon this part of Canada a further handicap estimated at \$100,000,000 per year, there can be little doubt."* The effect on wage earners, it may be noted, was also disastrous, particularly for those employed in Western Canada. Poverty in agriculture as usual was reflected in industrial employment.

RECOMMENDATION:

It is essential for Canadians that Parliament should have full control over monetary policy. Control must be used in the future to avoid a recurrence of the decisions which maintained Canada's dollar at levels giving exchange advantage to producers outside

† Manitoba Government Brief, Part 8—page 21.

* Manitoba Government Brief, Part 8—page 23.

Canada, aiding investors — but not the farmers — to pay their debts. The Government has disregarded completely the effects on the farmer, in the interests of financial "orthodoxy", which means keeping the operations of the private financiers as profitable as possible.

(2) Effects of Tariff Policy

The effect on the Prairie Provinces of the Canadian tariff is best summed up as follows: "... it is fundamental that certain national policies should be corrected . . . particularly the protective customs tariff, (the effect of which) is being very severely felt in this province where agricultural products are sold in an unprotected market and consumers' goods purchased in a protected market. During the years of expansion when the frontier was being pushed back, when capital was flowing into the new country and the virgin resources were being exploited, the pinch of this national policy was not felt to such a degree. At the present time, however, there is virtually no new land for settlement in this province, and the effect of the national economy in which manufacturing establishments and financial institutions are centralized in one portion of Canada is being felt as a tremendous burden."*

What has the tariff policy of the Dominion Government meant to the West? To this question, the Manitoba Government answers: "We submit that the Federal tariff policy has constituted a disability of major proportions for the people and governments of Western Canada, a disability which has grown with each successive tightening of import restrictions."†

The Government of Saskatchewan answers: "For the province of Saskatchewan in particular, where it is almost completely true to say that everything is bought in a protected market, and everything is sold in a free market, the consequences of the protectionist policy have been more disastrous than for any other political division of Canada."*

Alberta answers: "National fiscal policies have not only increased the cost of the plant and the equipment necessary to develop the natural resources of the country, but these policies have also increased all production costs, including and having particular reference to agriculture."†

In Manitoba, the tariff policy has cost the people of the province \$15,000,000 per year, or each farmer more than \$100 annually. The largest part of this expenditure, however, does not

* Saskatchewan Government Brief—page 320.

† Manitoba Government Brief.

* Saskatchewan Government Brief—page 320.

† U.F.A. Brief—page 10.

go toward Dominion revenue, but into the pockets of the protected industries. The upward movement of tariff rates during the past 20 years has increased the cost of farm production to as much as and sometimes more than the returns from farm products.

"There are approximately 290,000 farms in the three Prairie Provinces, and we have estimated the added cost (of tariff) per farm per year as roughly \$100. Therefore, the total added cost borne by Western farmers is \$29,000,000 per year It is no exaggeration to state . . . that the cost of the tariff, to farmers only, is equal to what the whole population of Western Canada now pays to maintain local governments and education. The Searle Index calculates the average real property tax on Western farms at \$69.85, which, if compared with our estimates of an added tariff cost per farm of \$100, indicates the relative weight on rural life of local taxes as compared with the burden of national tariff policy."*

"The burden of the tariff on the farm population is only part of the total burden on Western Canada. According to the 1931 census, the farm population is 50.79% of the total population of the Prairie Provinces. If the tariff burden were the same per capita on urban as on rural population, our estimates would have to be increased to 58 millions per year."† It is divided among the provinces as follows:

Estimated Tariff Cost by Provinces‡

(Figures in millions of dollars)

Province	Farm Cost	Urban Cost	Total
Manitoba	5.5	9.5	15.0
Saskatchewan	13.5	9.5	23.0
Alberta	10.0	10.0	20.0
Total	29.0	29.0	58.0

The following table shows the extent to which the tariff raises prices:

A Comparison of Prices in Canada and United States‡

(The difference is due to Customs Duties and Tariff Rates.)

	United States	Canada
International truck, ¾-ton standard equipment.....	\$ 735.00	\$ 952.00
Ford automobile, 2-door standard	685.00	871.00
Four 75-19 Goodyear tires and tubes	11.75	16.80
Standard Red Crown Gas, delivered large lots, tax included	23.60	27.80
Distillate tractor fuel	13.60	14.30

* Manitoba Government Brief—page 22—section IV.

† Ibid.

‡ Items taken from a Table comparing prices in Can. and U.S. as at July 19 and 20, 1937, at Hallock, Minnesota, and Morris, Manitoba.

DeLaval Cream Separators, 750-lb. Cap.	121.50	124.75
Gas Engines, I.H.C.	70.00	91.00
12-in. Combine harvesters with engines	1,700.00	1,839.00
Disc Harrow	140.00	170.00
Sugar, 100 lbs.	5.50	6.65
Coffee, per lb.	.28	.45
Oranges	.39	.45
Overalls	1.69	1.95
Four-buckle Overshoes	1.98	3.29
Turkish Bath Towels, 20 by 40	.25	.35
Unbleached sheeting, 36 ins. wide, per yard	.49	.65

It is obvious that if this tariff cost were removed, the savings thus effected could be well spent in increasing greatly our social welfare and educational facilities. The section devoted to Education shows how badly such improvements are needed.

Further examples could be cited to show the effects of the tariff policy upon prices. For example, the automobile, the automobile parts industries are given great protection by tariff rates. It is estimated that Canadian consumers pay approximately 70% more than American consumers for repairs for their automobiles.* Similar statements could be made with regard to the farm machinery industry.†

	U. S.	Canada	Excess Canadian Price
Washing machines (standard gas) Model 1	\$84.50	\$164.00	\$79.50
Model 2	119.50	189.00	69.50

During periods of drought and low prices for farm products, when farmers' incomes were at a very low level, tariffs were at their highest since Confederation. Thus Western Canada carried this load of extra tariff during a period in which it was least able to do so.

Not only the Prairie Provinces complain about the burden of tariff, but 7 of the 9 provinces show a loss. Quebec and Ontario are the only provinces benefitting by the tariff; Saskatchewan bears a loss of \$28.16 per capita; Alberta, \$26.93; and Manitoba \$13.25 per capita. On the other hand, Quebec gains \$11.03 per capita and Ontario \$15.15 from the protective tariff.*

Mr. J. T. Thorson, a member of the special committee on Farm Implement Prices, stated that in 1933 and 1934, the price of the No. 2 Cream Separator of the International Harvester Company dropped from \$102.30 to \$90.90 at Billings, Montana, while the same separator at Regina dropped in price only from \$103.50 to \$102.50.†

The tariff policy of the Dominion Government during the last

* Saskatchewan Government Brief, page 230.

† Manitoba Government Brief—page 33—Part IV.

* Saskatchewan Government Brief—page 225—Table 3.

† Winnipeg Free Press, March 21, 1935.

depression has greatly affected the price paid by Canadian farmers for petroleum products. When prices for these products dropped in other countries, the Canadian Government applied a tariff. Western farmers, unable to take advantage of this drop in prices, were forced to pay the high prices maintained by this tariff. In effect, this took from the farmer most of the advantages of power-farming, and reversed the trend back to the horse economy.

The situation presented here is not the whole story. There is a similar burden on other primary rural industries, such as mining, fishing and forestry. The extent of the tariff cost to these industries has not been estimated here, but must be correspondingly heavy.

The Manitoba Government has stated that the customs tariff has developed into a "protective system" and "a complicated instrument of trade control"; that the levying and increasing of import duties "by decisions of Governor-in-Council or the Minister of National Revenue, or the Department of National Revenue (rather than by Parliament) constitutes an undesirable method of levying taxation; . . . they have specifically increased the cost of production and the cost of living in the Prairie Provinces".*

We also agree with the Saskatchewan Government brief (p. 232) that "The tariff, especially with the teeth inserted in the application of anti-dumping clauses and orders-in-council, becomes a means of protecting the Canadian manufacturer without compensation in traffic of revenue, and assists in holding up prices as a further burden to Western agriculture". It is recommended that "the customs tariffs shall be completely removed from all instruments of production and shall be drastically reduced on all necessities of life." (p. 331.)

However, reduction in, or removal of tariff charges will not alone result in equalizing prices of farm products and manufactured commodities. For example, in 1936 even though the duty was reduced on farm implements, the price rose. Monopoly, cartel control, and price agreements have the effect of keeping prices high. Tariff changes will check only partially the excessive profits now exacted in the form of padded prices. Nothing short of social ownership, or drastic control of the industries supplying farmers' essential needs will meet the requirements of the consumer. Any corporation of monopoly which has the power to dominate the community must be owned by the community.

(3) Freight Rates

Basic freight rates from Eastern Canada to Edmonton are

* Manitoba Government Brief, Section IV—page 15.

much higher per ton-mile than those prevailing in Eastern Canada, or from Eastern Canada to Vancouver.

	Miles	Rate per ton-mile (1st Class)
Toronto to Halifax	1,133	2.101
Montreal to Vancouver	2,884	3.831
" " Winnipeg	1,358	3.939
" " Saskatoon	1,892	4.075
" " Edmonton	2,159	4.201

Similar differences prevail in regard to 5th class rates. It will be seen from the above that the rates charged to prairie points are higher than to other places of equal distances.

Terminal charges and the cost of loading and unloading are the same, whether the shipment moves 100 or 1,000 miles. The prairies, and particularly Alberta, have the longest haul, the highest rate, and the highest cost per ton-mile.

Water-borne competition is alleged to be the reason for a special commodity rate from the East to Vancouver. Barbed wire, for example, moves 5th class to Edmonton at \$1.98; the rate to Vancouver is 75 cents. A car of canned goods from Aylmer, Ontario, may be shipped through Edmonton to Vancouver (2,900 miles) at a total freight charge of \$450. But if this car were shipped direct to Edmonton (2,200 miles) the charge would be \$1,038. Goods, such as flannelette blankets, cotton sheets, pillow cases, and towels move from the east to Edmonton first class for \$4.53½, but the rate to Vancouver is only \$1.75. These items can be shipped from the East to Vancouver and back East again to a point 60 miles from Edmonton for 21½ cents less than the rate to Edmonton direct.

Consider the matter of freight costs between two Alberta points and two eastern points. Between Montreal and Haley's, Ontario, (199.3 miles) the rate is 68 cents; between Calgary and Irvine, Alberta, (197.5 miles) the rate is 89 cents; and between Calgary and Beavermouth, B.C. (199.4 miles) the rate is \$1.07. This shows that certain goods moving to or from points in other provinces enjoy a rate that is not available on movements to or from Edmonton or other Alberta points. For example, 50 dry goods items including mackinaw-cloth, yarn, thread, comforters, quilts, etc., (necessities in our climate) move from Eastern Canada to Vancouver on a commodity rate of \$3.50 L.C.L. Edmonton must pay the 1st class rate on these goods, \$4.53½, or \$1.03 more than the longer haul.

If farmers in the irrigation district of Taber, Alberta, ship

canned goods to Vancouver (800 miles) at \$1.16 per cwt. (5th class), they have to compete with the same merchandise which moves nearly 3,000 miles under a commodity rate of 75 cents. This also applies to canned milk shipped from Red Deer Dairy to Vancouver at 98 cents; whereas milk can be shipped from Tilsonburg, Ontario, to Vancouver for 75 cents. It would appear from the foregoing that the Western communities pay excessive rates both going and coming. Distributors actually can have carload goods transported from Eastern Canada through Edmonton to Vancouver, and re-shipped into the Edmonton district at the same or less cost than would be charged direct to Edmonton.

The Province of Manitoba received a slight advantage, being rated on arbitrary mileage of 290 miles, instead of the actual 419 miles between Port Arthur and Winnipeg. British Columbia gets the advantage of very low trans-continental rates due to the competition of the Panama Canal route. "The Prairie Provinces are the only ones that do not get the benefit of freight rates related to water competition."*

Why should it be cheaper to ship livestock than to ship the processed products (dressed meats)? At present, the livestock rate is 56 cents, the rate of dressed meats is \$1.10. Even in the matter of grain rates we find injustices. For example:

	Miles	Rate per Cwt.
From Provost, Alta., to Vancouver.....	944	24c
From London, Ont., to St. John, N.B.....	943	16c

These figures show lower export rates for similar distances, on grain from Eastern Canadian points, than from prairie points.

The contention that higher rates are justified in Western Canadian, or to and from Western Canadian points, on the grounds of volume and distance, is not supportable. We quote a few authorities on this subject. Sir Edward Beatty told the shareholders of the C.P.R. at their annual meeting, May 1934, that "in a very peculiar sense, the prosperity of this Company depends upon the prosperity of agriculture, and therefore of Western Canada, from which territory about 60% of its freight earnings are normally derived." Sir Joseph Flavelle, in a letter to the Prime Minister of Canada, August 12, 1921, stressed the value of "long-haul business". He pointed out that during the year 1920 the G.T.R. had moved 3,100,000 tons more freight than the C.P.R., but had received \$63,191,652 less for doing so.

He said in part that "the greatest single factor in this remark-

* Edmonton Chamber of Commerce Brief.

able difference is that while the C.P.R. carried each ton an average of 463 miles, the G.T.R. carried each ton an average of 212 miles. Or, stated another way, the C.P.R. received \$4.81 for each ton, while the G.T.R. received \$2.44 for each ton. The costs at terminals, to collect and distribute, including switchings, are as much per ton whether the freight is short-hauled or long-hauled. Consequently, there is an added burden affecting net returns, by reason of the heavier terminal charges relatively in the short-haul business." It is not unfair to suggest that it was the higher rates under the Prairie and Pacific schedules which contributed to the higher earnings of the C.P.R.*

It is our opinion that a complete revision of the railway freight structure bearing more equitably upon the prairie West, is imperative. Inasmuch as agriculture is essential to the Canadian economy, freight rates on all commodities being shipped from the West or into the West, or between Western points, should be on a parity with freight rates in Eastern Canada. There can be no just explanation for higher rates in the West as compared to the East, for the same services rendered.

The three factors which have been summarized in this chapter, —monetary policies, the tariff, and freight rates,—are equally with those discussed in the first chapter part of the working of the economic system. They are due to the "balance of power" of industrial and commercial interests and their influence on every government which has sat in Ottawa. But they are particularly vital examples of what the Federal Parliament could do for the West, and has not done. There is no constitutional difficulty: the obstacles are economic,—the sacrifice which our industrial and financial oligarchy will not sanction.

* Edmonton Chamber of Commerce Brief.



CHAPTER THREE

Unemployment

Unemployment did not come into existence with the so-called depression. In 1928 the percentages of unemployed in trade union groups alone, for Manitoba, Saskatchewan and Alberta were 8.1%, 4.4% and 6.9% respectively. Employment in occupations with a strong union membership is more stable than in other occupations. Thus it is clear that the extent of general unemployment even in a period of relative prosperity, was considerable. But prior to the depression the plight of the unemployed had received but scant attention. Some municipalities had made slight provision for indigents, and others had not.

After 1929 the number of those without work rapidly increased. Tens of thousands of persons without occupation became a grave social danger. In 1930 and subsequent years, the social conscience of the country was awakened, and government responsibility was in part recognized. Provincial governments were forced to come to the aid of the smaller municipal units. Eventually, after a good deal of initial hesitation,—huge drafts were made upon the Federal Treasury. The Dominion Government disbursed for relief between 1930 and 1937, \$276,540,000, (which included drought relief)—enough to build a fully modernized \$5,000 home on every farm in Manitoba, or for every family living in a city the size of Winnipeg.* In passing it should be emphasized that this figure should not be quoted as an indication of government extravagance. Far from it, for it has supported only the utterly destitute, and at meagre pittance. It should be recognized for what it is,—a measurement of part of the enormous cost and waste of capitalist depression.

In the early period of relief history, many persons concerned with the problem recommended a full enquiry and analysis of its causes. This investigation, at last heralded officially, as important, was delayed until 1936. It is still inadequate. Governments remain without a solution. The trend appears to be toward more, rather than less unemployment.

* Canada Statistics, 1936—page 169.

FACTORS AFFECTING UNEMPLOYMENT

1.—Drought and Falling Income:

In 1931, of the gainfully employed, 34.5% in Manitoba, 60.3% in Saskatchewan, and 50.9% in Alberta, were engaged in farming. However, when the average yield per acre shrank from 23.5 bushels to 6.7 bushels, and the price of grain and livestock fell to less than the cost of production, labor requirements, especially for seasonal work, became negligible. This meant fewer employment possibilities.

As a result of the severe contraction in farmers' incomes, there has been a sharp drop in sales of all forms of machinery, (with the possible exception of some forms of power machinery such as tractors, combines, and motor trucks). Implement replacements have not been made. As the Saskatchewan Government has pointed out, "Economies. . . of a doubtful nature, were effected chiefly by reducing cultivation to the minimum required for the planting and harvesting of the crop."

2.—Introduction of Power Machinery:

A factor of importance with regard to the increase of unemployment in the West, is the introduction of the modern power machine. The following table shows the increase in some of the more important types in recent years:

Year	Tractors	Combines	Motor Trucks
1921	38,485
1926	50,136	5,640
1931	81,659	8,897	21,517
1936	81,649	9,820	21,294

(Census, Prairie Provinces, 1936)

The application of artificial power to agricultural production is a development of the last 30 years. The need for increased production as a result of war, speeded up the use of modern light gas tractors. By the year 1921, Saskatchewan had in use more than 19,000. In the next ten years the number increased by 43,000. Manitoba now had more than 14,000, and Alberta 24,000. In these years the use of the farm truck and the combine harvester increased greatly. A combine and three men displaced the twenty-five men that were formerly required to complete the harvesting operations.

The effect upon farm labor has been ruinous. Although acreage in field crops increased in the 30-year period 1901-31, by more than 21,470,792, the number of gainfully employed per farm increased only from 1.4 to 1.5, or one-tenth of one percent.* On the 136,472 farms in Saskatchewan, there were less than 12,000

* Saskatchewan Government Brief—page 142.

full-time or seasonal workers, or one worker to every eleven farms. As to the future, the outlook is not encouraging. Dr. Dawson, of McGill University, is reported to have said, "It has been estimated that for the present decade there may be a surplus of 800,000 persons in rural communities without adequate occupational opportunities."†

3.—Industry Other Than Agriculture:

Industry in Western Canada accounts for only 20.9% of the value of all production in Saskatchewan, 37.2% in Alberta, and 65.8% in Manitoba. In the Dominion as a whole it accounts for 74%. This is some indication of the extent to which agriculture overshadows industrial activity. Under paying crop and price conditions a moderate decline in industrial activity might not have been serious. The collapse of both agriculture and industry had a disastrous effect. Western industries not only failed to absorb those who lost agricultural jobs, but dismissed large numbers of their own employees.

4.—Immigration:

In one generation the population of Saskatchewan increased from less than 100,000 to nearly a million. During the years 1906 to 1915 inclusive, the immigration policy of the Dominion brought an average of more than 30,000 immigrants per year into Saskatchewan. A similar situation arose with respect to Alberta and Manitoba. In the period 1901-1936 immigration into Alberta and Manitoba accounted for 445,487 persons.

The Saskatchewan Government Brief properly places the responsibility when it says: "The Federal Government saw fit to open up the western country and to promote immigration thereto, consequently there is a special responsibility to see that the Canadian standard of living shall be maintained." It should be noted, "that the desire to promote immigration to the West seems to have influenced Parliament in withholding the natural resources from Alberta and Saskatchewan when these provinces were formed".*

RELIEF COSTS

Nearly one-third of the agricultural population of Saskatchewan received government assistance in 1933 and 1934. Rural relief costs from 1931 to 1937 reached the enormous total of \$84,248,046, or more than five times the estimated value of the wheat crop for 1937.

By 1936 the problem at last was recognized as one of national emergency. The Dominion Government agreed to meet 100% of

† Canadian Press, Saskatoon, June, 1937.

* Saskatchewan Government Brief—page 16.

the costs of direct relief, and maintenance for livestock from September, 1936, to March 31, 1937, in 149 municipalities and local improvement districts. These emergency grants continued in 1937. The revenue of the province shrank rapidly with the collapse of wheat prices, until they were inadequate to meet the ordinary expenditures of government. In spite of drastic curtailment of educational grants and social services, the Federal Treasury had to contribute almost the whole amount required for rural relief.

In 1929 a reduced crop and sharp price decline had made expenditures for relief purposes in rural areas necessary. In Saskatchewan more than three-quarters of a million dollars were required. The extent to which this problem has grown is seen in the following table taken from the Saskatchewan Government Brief, page 39:

Relief Expenditures for the Fiscal Year Indicated

Year	Amount
1929-30	\$ 783,188
1930-31	3,031,957
1931-32	20,682,744
1932-33	13,249,178
1933-34	12,705,455
1934-35	21,747,248
1935-36	19,617,989
1936-37	18,784,879
Total	\$110,602,879

This sum is approximately \$119 per person. The total exceeds the total ordinary revenue of the Province for the same period.

The municipalities' share of direct relief and farm settlement costs increased 15 fold in the eight years since 1929. To this sum must be added \$15,000,000 guaranteed by the provinces but disbursed by the municipalities and loan companies for relief and seed grain during the same period. Limited as they are in their fields of taxation, the resulting position of rural municipalities has become desperate since 1930. Tremendously increased requirements for seed, fodder and relief were necessary. The municipalities financed advances to the farmers through the banks on the strength of Provincial guarantees. The result was that rural units went further and further into debt to the banks. This was the situation in 1931, when drought devastated a much larger area than formerly. A rapid fall in wheat prices added to the difficulty. Direct loans of \$77,310,000 from the government be-

came necessary, and subsequently the Saskatchewan Relief Commission was created. Inevitably, neither the municipalities nor the province were able to cope with the enormous burden without Federal aid on a large scale. By August, 1931, the whole province south of Saskatoon, and some ninety rural municipalities and local districts in the northern section—almost all of the province—were suffering an acute relief problem. Deducting Federal contributions, repayments by recipients and by municipalities, and write-offs by the Dominion Government of Treasury bills, the present cost is approximately \$42,182,000.

The Saskatchewan Government's Brief sums up this aspect in the following terms: "faced with the problem of supplying relief to the farmers, the indebtedness of rural municipalities to the banks and to the government for seed grain and relief loans, was four times as large in 1935 as it was in the year 1921, which was the previous peak of bank indebtedness."*

Urban Municipal Expenditure

The financial problem facing the urban municipalities is gigantic. In addition to providing their share of relief advances each municipality must provide for the full cost of administration. This item has mounted in direct proportion to the increase in relief advances. In 1929 the sum required was \$3,837. By 1936 the amount needed reached \$106,643. In the years 1935 and 1936 costs of relief administration in the cities of Saskatchewan were three times as great as the amount of all relief granted in 1927.

Many cities were driven to the unsound practice of capitalizing a portion of the burden of relief each year, instead of increasing the general tax rate to meet the current costs. It is contended that this was unavoidable, if wide confiscation of real property were to be prevented. The Saskatchewan Government Brief gives some idea of the situation: "Most cities at the present time are obliged to impose a rate in the neighborhood of fifty mills. It has been suggested by authorities on municipal finance that a tax rate in excess of fifty mills can have only one result, and that is the confiscation of real property."†

Even if relief costs were to cease entirely after 1937, several cities in Saskatchewan would be required to raise annually a sum equal to at least two mills for the next eighteen years to repay the direct relief debentures issued to date.‡

The tragic nature of the conditions under which the people of Saskatchewan cities have been living is illustrated by the following:—

* Saskatchewan Government Brief—page 67.

† Saskatchewan Government Brief—page 57.

‡ Saskatchewan Government Brief—page 58.

Necessary food relief increased from \$29,930 in 1927, to \$1,514,270 in 1936.

Fuel relief increased from \$3,235 to \$402,846.

Total direct relief increased from \$32,679 to \$2,800,753. In fifteen representative towns similar conditions are reflected in the following statistics:—

Food relief increased from \$6,194 to \$117,009.

Fuel relief increased from \$1,021 to \$40,196.

Total direct relief increased from \$7,989 to \$204,047.

These figures disclose that the cities of the province advanced for relief purposes eighty-three times as much in 1936 as in 1927. The towns advanced twenty-six times as much.†

People on Relief—Cities and Towns.

The record of the situation of fifteen representative towns in the same province is even worse. During the period 1931-1936 the number of employable persons on relief increased from 950 to 1,700, an increase of nearly 100%. The number of unemployable persons on relief increased in the same period from 900 to 1,820, or an increase of more than 100%.

The recording of people on relief by the Dominion Government commenced in 1931. For that year the number of employable people on relief in the cities of Saskatchewan was 5,700. This number increased to 9,050 in 1936. The number of unemployable persons on relief increased from 13,900 in 1931 to 18,800 in 1936; an increase of approximately 35%.

People on Relief—Rural Districts

Twenty-eight percent of the total number-receiving unemployment relief in Canada were farmers and their dependents. They numbered 331,000, according to the Federal Department of Labor report as at March, 1937. Nearly three-quarters of these reside in the Prairie Provinces.* A significant statement is made in the final report of the National Employment Commission: "the number of the distressed farm operators and their dependents receiving agricultural aid, to which the Dominion contributed, increased from 248,327, September, 1936, to 303,885 in September, 1937. Analysis shows this increase to be entirely due to the effect of the drought conditions in Saskatchewan, where the number receiving agricultural aid in 1937 was 269,601 against 130,394 in September, 1936."† This means that two out of every five people are on relief.

The following table shows the total persons and their depend-

‡ Saskatchewan Government Brief—page 55.

* Interim Report, National Employment Commission—page 7.

† Final Report, National Employment Commission—page 7, Section 1.

ents in receipt of relief and farm aid, to which the Dominion contributed:

Province	Total Employ- able	Total Unemployable and Partially Unemployable	Total Depend- ents	Total Farm Dependents	Grand Totals
Saskatchewan	10,669	4,449	31,285	269,601	316,004
Manitoba	11,217	3,358	23,593	633	38,801†
Alberta	7,928	2,726	19,007	18,842	48,503

The small figure for Manitoba in the above table is due in part to the refusal of the Dominion Government to take the responsibility for agricultural relief, since it is assumed that the absence of crop failure left the province and municipalities in a position to take care of local conditions. This has meant for certain areas of Manitoba far greater suffering than that existing even in the drought areas in Saskatchewan.

Youth and Relief

Examination of two age groups in the statistics available (16-25 and 26-45) reveals that in the Prairie Provinces there are 13,132 in the first age group and 22,941 in the second group in receipt of relief. There are at least twice as many persons on relief between the age of 26-45 (the prime of life) as there are in any other age group. A nation which permits this condition of affairs has to answer to a severe criticism of inefficiency and the imposition of unnecessary hardships.

The belated action by the Dominion Government in making provision for Youth Training and reconditioning, has been a step in the right direction. The amount provided is quite inadequate in relation to the number in need. No measures have been taken to ensure that industry will employ them. It does not follow that the re-training of 71% of the unskilled class will provide them with jobs, when skilled labor and white-collar and professional workers as well are without employment because of the failure of the economic system to make a recovery.

It is an indication of tragic conditions, indeed, when we find in this great young western empire nearly 10,000 persons fully employable but without jobs. More than 1,500 have never been gainfully employed. The remainder, 8,500, have had no work for at least five years. These facts are disclosed by the National Employment Commission*. The figures do not include farmers and their families.

There is a growing and just resentment among young people who are able to show that they have been offered nothing more promising than the job of hired man or domestic servant on isolated farms at wages as low as \$5.00 per month.

† The figures for Manitoba are considerably worse than this when the complete number of persons on relief in rural areas and cities is shown. In January, 1937, there were 32,600 persons on relief in rural Manitoba, and 45,614 in cities, according to a statement by Alderman Paul Bardal, in the Winnipeg Free Press, April 14th, 1938.

* Final Report, National Employment Commission—page 55.

The full extent of misery is not disclosed by a study of unemployment statistics. Among those classified as employed, there are many in receipt of wages so low that their condition is worse than if they were actually unemployed and on relief. For example, in Winnipeg there were 9,294 wage earners not on relief who received from \$1 to \$449 for the twelve months ending June 1, 1936. Again, short-time workers are not classed as unemployed, and yet are suffering inhuman hardships in a vain attempt to live on a few weeks' work. In 1936, 49% of those classified as employed in Manitoba, worked only part time. Approximately one-third of these worked less than 28 weeks of that year. Similar proportions are shown for Alberta and Saskatchewan*. In addition, there are a great many persons who might well apply for relief but remain a heavy burden on some other wage-earner in the family, rather than take this dreaded step. Obviously, this results in a serious reduction of their standard of living. In Winnipeg alone, there were 2,292 persons not on relief who did not earn one cent during the year ending June 1, 1936.

HOUSING

The disgraceful condition of housing in Western Cities requires immediate attention.* The housing of families in receipt of unemployment doles in four cities is shown as follows:—

City	No. of Families Receiving Aid	% Living in One Room	% Living in Two Rooms
Winnipeg	5,743	13	26
Regina	2,223	11.4	23.9
Calgary	2,496	11.9	25.9
Edmonton	2,031	16.2	21.7

The number of families on relief living in one room is higher in the city of Edmonton in proportion to population than in any other city of over 25,000 in the Dominion of Canada. Indeed, it may be added that with the exception of Vancouver and Halifax, each of these prairie cities shows a larger proportion of relief families living in one room than the remaining cities of the Dominion. The results of such conditions have been well stated by Mr. H. G. Dawson, who told the Central Council of Social Agencies of Manitoba, on April 4th, 1938, that "bad housing conditions have made Winnipeg a breeding place for crime, immorality, and disease. We are now paying the bill in the form of overcrowded hospitals and jails". (Incidentally it costs about \$813 a year to keep a man in jail.)

CONCLUSIONS:

It is foolish to suggest that "all will be well if we only have one or two good crops." In the first place, the prospects for a return to former yields is not encouraging. Scientific soil

* Census Report, Prairie Provinces, June, 1936.

analysis discloses this. Secondly, even bountiful yields have meant, too frequently, that prices declined to a point where the farmer was further impoverished.

There is no permanent cure for unemployment under the present economic system. Privately-owned industry makes full provision for reserve funds and depreciation accounts to take care of its machinery and stocks of raw material, and buildings. It has not, however, recognized any reasonable responsibility for human labor. It has been said that during the last four or five years the city of Winnipeg has been maintaining between 500 and 600 trained railway workers for about nine months of the year, so that the C.P.R. might enjoy their services when these were needed during the remainder of the year. Other examples could be quoted if only the facts were known. It is high time that private corporations were made legally responsible for giving their human workers at least as much care as they now find it advisable to give to their plant equipment.

Large-scale public works will relieve, to some extent, the pressure of unemployment. But let it be noted that, as long as the present system of private finance continues, this relief will be at the expense of enormously increased public debts, and is therefore not a permanent solution.

It is our firm conviction that nothing short of ownership by the people themselves of all key industries and monopoly-industries will permit of the fair distribution of labor so that employment may be available, and production of goods and services may be increased to raise their incomes.

Until this condition is attained, the state must provide reasonable security for persons left helpless as the result of an unworkable and unjust economic system over which they have no effective individual control. The unemployed are as helpless under the present system as if stricken by age or physical illness. As long as the present conditions prevail, all necessary relief, including medical services, must be considered a national concern. The reasons for this contention have been amply disclosed in the preceding pages. They embrace three principal factors:—

1. The administration required of such a character that in order to avoid disharmony and discrimination, centralization of planning is necessary.

2. The immense costs of relief are far beyond the financial capacity of our Province. This is certainly true of all Western Provinces.

3. The Dominion Government should not be allowed to escape the results of its own policy in regard to immigration, customs tariffs, taxes, and monetary policy.



CHAPTER FOUR

Social Service

HEALTH AND OLD AGE.

Definition:

Social services are those activities of the Government by which the State intervenes to protect the individual against economic pressure, and to give him a measure of economic security. Social services will then include public health services, public institutions such as mental hospitals, children's homes, and schools for the deaf, child welfare and maternity, mothers' allowances, old age pensions, relief of the needy, administration of the Minimum Wage Act, and inspection of factories.

Hitherto, education has not been generally considered among the social services. If, however, it should be regarded as one of the functions of government to increase the efficiency of the individual, and aid him in development, then education should hold a prominent place. It will therefore be considered in a section by itself. The social services of the future must aim toward the conscious advancement of the well-being of every citizen, and not merely at the casting of the bitter drops called charity.

History of Growth:

In the days of our pioneer grandparents, the needy members of the community were considered to be a responsibility of, and were cared for, by the community. Larger urban centres developed, and the need for help increased under the inequalities of the industrial system. The period of formal charities, dispensed by church groups, service clubs, lodges, etc., began. Until recently the part played by governments in the field of social services was small. At the time of Confederation, the Dominion Government undertook to pay to each province 80 cents per person per year, up to a maximum population of 2,500,000; over this number, only 60 cents per person per year. These provincial

grants were for the general purpose of assisting each province in meeting various provincial expenses.

In Manitoba, in 1875, the grant provided about 88% of the total expenditure, but in 1936 only 12.25%. This is evidence of the enormous increase in provincial government expenditures, the burden of social services being one of the heaviest. For example, while provincial government expenditures increased six times as rapidly as population, the cost for necessary social services increased 30 times as quickly. Public welfare and education in 1936-37 accounted for over 40% of Saskatchewan Government costs.

It is unlikely that the Fathers of Confederation ever dreamed of the need for social services. The B.N.A. Act made no provision for responsibility for them. The Federal subsidies to the provinces at that time were not estimated with any idea of the burden of these services which was to arise in the future. It was not suspected that it would be necessary to make provision for disease control, agricultural aid, unemployment, and pensions, etc. Nor until the rise of the science of psychiatry and mental health, did the need for mental hospitals become apparent.

In the beginning, state contributions for these services were small. In the Province of Saskatchewan in the year 1905, the total amount expended by the province for all social services then existing was only \$11,640. This small sum contributed towards the upkeep of mental hospitals, a home for the infirm, the maintenance of destitutes and the blind, and for education.

It was inevitable that with the expansion of population, and the appearance of defects in the system, that the need for these grants should steadily increase year by year. In 1907, in the Province of Saskatchewan, \$13,000 went to hospitals alone. By 1911, large expenditures were made under the Child Welfare Act. In 1919, Mothers' Allowances and Maternity grants became a provincial liability. In 1929, the first real consideration for the aged resulted in participation by the province in a Dominion Old Age Pension Scheme. In 1931, the first grants were made to mental hospitals, and in 1932, a School for the Deaf was established.* As we have shown above, the total grant for social services in 1905 was only \$11,640. Six years later (1911) the expenditure amounted to \$192,058.66; and by 1936, the enormous sum of \$5,169,329.35 was deemed necessary,—four hundred and forty-four times as much as in 1905.

Manitoba shows the same steady demand for these services.

* Saskatchewan Government Brief—page 273.

An expenditure of \$700,000 in 1916 increased by 1936 by about 300%, amounting to a sum of \$2,700,000.

The full obligations for these services did not fall upon provincial governments alone. All municipalities have been faced with similar growth in expenditures. Winnipeg is the largest urban municipal area in the West. The total cost of Social services to the city more than doubled in the six years previous to 1936. Unable to meet the costs out of current revenue, amounts were borrowed, with the result that by the end of 1937 Winnipeg was in debt for relief services alone, to the colossal sum of \$9,500,000.

In certain social service fields, the initiative was taken by the Dominion Government. In this case, a province might secure Dominion aid on conditions that it contributed a certain determined amount, the Dominion contributing the remainder. Saskatchewan, for example, secured on this basis subsidies for the treatment and study of venereal diseases, from 1919 to 1931; and for vocational education from 1920 to the present time. The Dominion has also assumed 75% of Old Age Pensions since 1931.

Once the need for social services arises and such measures are introduced, the provision for their continuance is necessary. Thus it is a disadvantage that the Dominion can withdraw its support and contribution, leaving the province with the additional burden. This system, by establishing Dominion legislation depending upon provincial co-operation for action, causes public demand within a province for the establishment of a service which is often beyond the financial capacity of the province.

Western provinces are no longer able to meet the heavy financial burden imposed upon them by the growth of social service and public welfare requirements. These provinces have unanimously recommended that this fact be recognized by the Federal authorities. Among the reasons advanced are:

1. The enormous contribution made by the Western provinces to the well-being of Eastern industrialists who profit as the result of the tariff policy. This situation is made even worse by the fact that the head offices of most large corporations are situated in other provinces: the tax on the income of these firms is paid either to the Dominion or to Ontario and Quebec. In this way, the West is contributing a great portion of the income and receiving no share in the taxes.

2. The West is called upon to bear the greater part of the burden for the so-called "sound money policy" of the Dominion. It has been estimated that the cost to the three Prairie Provinces

as the result of these two items alone amounts to more than \$100,000,000 per year.

3. When the Western provinces entered Confederation, the Federal authorities kept control of land and other resources within these areas. This resulted in the encouragement by the Dominion of the unplanned settlement of the land, development of mineral and forest resources, the building of railways and the stimulation of immigration. In many cases railways were constructed ahead of population, settlement took place requiring vast expenditures by the province in roads, schools, and other services, out of all proportion to the capacity of the pioneer people to maintain. In addition to these things, the mad, uncontrolled policy in respect to immigration hurled immense numbers of persons into these provinces before proper settlement plans had been devised. The result has been that thousands of families have been allowed to settle on land that could never have provided them with a living. All of these factors have added to the financial difficulties of the prairies.

4. The constitutional distribution of taxing powers limiting the field from which provincial taxation may be raised, adds to the problem. Land has been the chief basis from which revenues have been drawn to the provincial and municipal treasuries. The tax on land has, as the result of the development of expenditures for social needs, reached a point where both farm and city property is reverting to the governing authorities, thus depriving them in turn of the source of revenue.

5. Western Canada has had to pay far too high a share of the cost of maintaining railway services in Canada. Railway surpluses have been the result of the excessive rates charged for both short and long hauls from prairie points. These rates in almost every instance are higher than those prevailing for similar distances in other parts of Canada.

6. We have shown that the unplanned settlement of Western Canada has resulted in the occupation of lands subject to recurrent crop failures. It cannot be too strongly insisted that the full responsibility for this situation must rest with the Dominion Government.

Under all the foregoing circumstances there can be little doubt that the demand for social services will become more insistent, and that the services themselves will undergo extensions. It is very clear that the handicaps under which the West has grown up are such as to justify a demand that the wealthier Dominion and the central Canadian provinces return compensation for poli-

cies ruinous to Western interests. In any case, it may be seen that it will be quite impossible for the Western provinces, limited to their present sources of revenue, to continue to carry the financial responsibilities involved in social services.

HEALTH INSURANCE

When we know that one out of three persons is disabled by sickness, and one out of seven through accident, we begin to realize the tremendous cost of treatment plus loss of income attributable to these two causes.

With realization comes recognition of the necessity for eliminating the economic waste, and race deterioration due to ill health. This is impossible so long as the great mass of underpaid individuals are expected to pay for health services out of their own earnings. The income of the average person is totally inadequate to pay for medical care. The result is that he neglects the treatment of disabilities. In any case he is unable to hire the services of a doctor until sickness has become so dangerous that his life is in peril. Even then, his inability to meet the cost may deprive the patient of the best technique. A further obstacle to good health is the fact that as soon as he begins to feel on the road to recovery, he is obliged by his small income to dispense with medical care.

Due to this method of treatment, the general tendency is toward the increased total cost of medical attention. A cycle of neglect is started, which eventually results in heavy demands upon social services. The income of the average employee ceases if accident or sickness keeps him from his job. Indeed, the firms which allow even "one day's sick leave with pay" are becoming fewer. The result is that while the sick person's expenses increase, his income ceases, and he is unable to provide for his dependants, whose health in turn suffers. Therefore, any proper health insurance plan must include "prevention, cure, and income protection."

During the past few years there has been a growing recognition on the part of the medical authorities of the value of preventive medicine. The introduction of this feature in a plan of health insurance will mean a sharp fall in the cost of medical care. It is obvious that early detection and treatment of the causes of ill health will lessen its extent and therefore the cost. It is generally admitted that venereal and other social diseases could be reduced to negligible proportions if they were discovered in the early stages of development, at which time they are most

responsive to treatment. We strongly recommend the provision of compulsory medical examinations once each year for every person.

An adequate health insurance plan would have to include provision for "curative medicine", including medical and surgical treatment, the employment of the best equipment, and training in mental and physical hygiene in our schools. In actual operation, the provision of complete health services such as outlined would cost the State no more in the long run than a plan which provided only partially for medical needs.

The magnitude and importance of the problem resulting from income loss requires more general recognition. "More people are kept from work (in Canada) by accidental injury than are idle from lack of employment."* How much greater must the problem be when we add to those idle through accident the number out of work because of sickness! The low wages of our people and the evil effects of loss of income through ill health must be taken into consideration in any adequate plan of health insurance.

It is recognized that neglect of disease is a contributing factor, not only to further ill health, but to the tendency toward crime. Where a bread-winner is permanently disabled through accident or sickness, he is forced to resort to some form of State or charitable assistance. This results in a standard of living so low that there is a definite tendency towards a spread of ill health and low morale among his dependents. This is an excellent breeding ground for criminal activity.

We can pour out money for slum clearance (and should do so), but under existing conditions accidents and disease will force people into economic straits which will reproduce slums similar to those we have removed. The whole problem of health requires careful and extensive planning which will include a general health insurance scheme such as is proposed herein, together with slum clearance and unemployment insurance.

The general economic status of our people under the present economic and social system is so low, that the costs of health cannot be borne by individuals. This service should be on a non-contributory basis. Health insurance is good national economy. In order to finance the proposed remedies we suggest:

(1) a small tax on industry, which would be more than compensated by the avoidance of losses to the industry because of sickness, by the improved efficiency of their employees;

* Continental Casualty Company.

(2) a tax on the profits of medical supply companies and drug stores;

(3) if necessary, a graduated tax on incomes over \$1,200.00 per year.

OLD AGE PENSIONS

Old age, to many of us, seems a long way off. Our preoccupation with immediate problems is such that we seldom consider the question. Nevertheless, the extent to which insecurity in old age exists, demands remedial measures. This is disclosed by the Life Underwriters' Association of Canada. An article prepared by this association gives the following information: Out of a hundred average Canadians of twenty-five years of age, only one will be wealthy at the age of sixty-five; four will be comfortable; five will be still working for a living, with no hope of escape from drudgery; and fifty-four will be dependant on private or public charity; the remainder, thirty-six, will be dead.

It was partly as a result of growing knowledge in regard to the tragic position of persons in old age that the Parliament of Canada enacted a statute under which, subject to certain conditions, people over the age of seventy would receive a pension of \$20 per month. Old age pensions should now be recognized as the final reward of a lifetime of labor and service to one's fellow-men. It should be regarded as a debt to the individual, to the payment of which he is entitled by right of citizenship.

The spirit of the regulations governing the present Old Age Pensions Act seems to be that the pensioner is an undeserving petitioner for charity. The most irritating obstructions are erected in the path of the aged person, and indeed the iniquities of the present Pension System are so humiliating that a demand has arisen for its complete revision. Some of the more glaring injustices are as follows:

1. Section 17 of the Old Age Pensions Act provides that 5% of the assessed value of real property, exclusive of debt on that property, is regarded as income, as also are monies received from the sale of any personal property of the pensioner. This so-called income is calculated by the Old Age Pension Board as being received by the pensioner, whether it was, or was not received, and it is deducted from the payment of the Old Age Pension.

2. The pensionable age, 70 years, is too old. Under this provision, a person does not receive a pension until long after he has reached the unemployable age. How many jobs are available to the man or woman of 50 years, who may be unemployed?

3. Property. (a) A transfer of property in repayment of debt or services rendered should be allowed. Quite often a son or daughter has contributed to the parent's support, or has paid taxes on parent's property. However, a transfer of this property in recognition of these services, if made within five years preceding application, disqualifies for pension.

(b) Under the Manitoba Act, if the applicant possesses property, the Pension Board shall secure a lien against it; and, after the death of the pensioner may sell this property to reimburse the Board to the extent of the pension granted, with interest thereon. We feel that property up to the value of \$2,000 at least, should be treated as "homestead rights", and be exempt from any lien for recovery of pension paid, even if the child has not contributed to the support of the parent. However, if it can be shown that a son or daughter did contribute at any time during the parent's lifetime, the full value of his property should be exempt from the enforcement of the lien for recovery of pension, as the present Act provides.

4. The Parents' Maintenance Act provides that a son or unmarried daughter, if financially able, is responsible for the maintenance of an indigent parent. This is too often an unfair load upon the young person. The financial ability or inability of the child to maintain the parent should not be a consideration. The applicant should be regarded as entitled to the pension on grounds of citizenship and his lifetime of service within the State.

5. Board and room contributed by a relative for services rendered, or as an act of kindness, should not be deductible from the pension. The authorities should not take it for granted that it will continue after a pension is approved. It frequently happens that the contribution of board and room is an inconvenience and a hardship. In making it necessary to continue the provision of this service, the authorities place an unfair burden upon the person providing same.

6. Under the Act itself, a pensioner is required to have resided in Canada at least 20 years. However, if part of this time is spent in a province in which the Act is not in force, the pensioner is only entitled to an amount proportional to the length of time spent in the province in which he makes application.

(For example, during the 20 years' residence in Canada, Mr. A. lived 10 years in Manitoba, and ten years in a province where the Old Age Pension Act is not in force. Under the above provision, when a person is applying for a pension in Manitoba, he would be entitled to \$10 a month. On the other hand, had he

resided the 20 years in Manitoba, he would have received \$20 a month, subject to other provisions.)

7. Again, an applicant for pension must have resided in the province in which he applied for pension, for five years immediately preceding his request.* This regulation protects the province, but in many cases it forces aged persons to wait as many as five years after the age of 70 before becoming eligible for pension.

8. If a pensioner, for any reason, takes up residence in another country, he loses his pension for the period of residence outside of Canada. In the case of illness, and of the pensioner being ordered to another country for reasons of health, this may have very serious consequences.

9. If a Canadian citizen, residing in Canada, leaves the country for more than two years during the 20 years preceding application for a pension, the effect is to cancel all his previous residence rights in respect to old age pensions.

10. The maximum pension is only \$20 a month. Consideration of present costs of living in relation to decent standards will prove that this amount is utterly inadequate. It will further show that a just pension would amount to at least \$50 a month, without any deductions except for actual income.

CONCLUSION:

From the above, it may be argued that the present Act and its regulations possess defects adverse to the interests of the aged. In order to make the Act more just and workable, it is recommended that:

1. Every Canadian citizen of the age of 60 or over should be entitled, when in need, to the Old Age Pension of at least \$50 per month. The Act should be Dominion in character, and the funds procured from State-owned monopolies (such as tobacco, liquor, nickel, etc.)

2. Children should not be obliged to maintain their parents.

3. The residence qualifications should be liberalized as follows:

(a) The disabilities of the present Act as mentioned in Section 7 would be corrected, if the Dominion Government were to assume responsibility as suggested above. (1)

* Sub-section (d), Section 8, Dominion Old Age Pension Act.

(b) If an applicant has resided in Canada for 20 years during the 30 year period preceding the date of application, he should be eligible for pension.

4. Property to a value of at least \$2,000 should be exempt from any lien for recovery of pension paid.

5. In all cases of rejected claims, the Board responsible shall notify the applicant in detail as to the reasons for rejection. The Board shall further be obliged to advise the rejected applicant as to the way in which the disabling factor or factors may be overcome.



CHAPTER FIVE

Education

Education in the past has been confined to the cultivation of more or less vocational skills; or to the acquiring of masses of detailed knowledge in certain specified fields. During the nineteenth century, the masses were educated to a certain level, the privileged and wealthy to another. The growth of middle-class education has changed this considerably, but great inadequacies still remain. The proper trend in education is that it should embrace all aspects of life . . . not only the cultivation of a mind, but also physical health, political and social training, emotional and aesthetic development, preparation for satisfying use of leisure. Education must be as broad as life, from birth to death.

Democracy requires an intelligent electorate, and therefore it should be the first duty of the state to do everything in its power to raise the educational level of its people. Unfortunately the Dominion from its birth has been hampered by the lack of any central educational direction. Under the B.N.A. Act arrangements for education fall upon individual provinces. The provinces, in turn, have determined the general standards governing the educational system, and then shifted the detailed part of this important responsibility to the School Districts. It was assumed that each local district would be able to meet its own costs, almost unaided by the provincial governments. Even by 1916, it was clear that local school districts were unable, in a great many cases, to provide proper educational opportunities. The first increases in the small provincial grants then available for education were made at that date.

The demand for improved standards continued. Local municipalities found themselves unable to finance the necessary changes. The educational system remained inadequate. This was made clear in a statement by a Committee of the Manitoba School Trustees' Association in 1930, which reads as follows: "Our (educational) system is not adequate to meet the situation in the pro-

vince, . . . it is not capable of being adapted to it, nor of coping with the present day needs".

The West has tried to do its utmost to improve and extend educational facilities. Adverse economic and climatic conditions have made this difficult, yet "in pre-depression years . . . the Prairie Provinces each spent about twice as much (per pupil) as Quebec or either of the Maritimes" (for provincial-controlled schools).*

In more recent years the expenditures on education have been markedly decreased; this, to some extent, has been attributable to unfavorable crop and price conditions. In Manitoba, for example, grants to education were drastically cut because of declining municipal revenue during recent years of low grain prices and smaller yields per acre. The result of this has been a marked lowering in teachers' salaries, and with it a lowering of their morale and standard of living. In Saskatchewan, teachers' salaries were reduced from a total of \$6,957,332 in 1926 to \$3,973,073 in 1936.† Salaries ranging from \$200 to \$300 for the teaching year were very common throughout the province. Some of these were not paid, or were paid in "notes". It is unlikely that many of these will be honored.

Teachers' Salaries Overdue and Unpaid ,

December 31, 1934	\$775,380.12
" " 1935	964,149.85
" " 1936	937,594.11
" " 1937	900,000.00

(An appropriation of \$200,000 will reduce the last figure to \$700,000)

In 1936, there were in Manitoba 25 teachers receiving less than \$300; 123 receiving between \$300 and \$400; and 773 receiving \$400 and \$500 annually.* By the time board and necessary clothing are paid for, little is left to procure journals and books through which teachers may increase their knowledge of their profession and maintain their efficiency. It has been reported that school principals in many instances were receiving lower salaries than scavengers and janitors! It is hardly surprising that teachers are leaving the profession. In one inspectorate in Saskatchewan, no less than 17 teachers had definitely given up their occupation during 1937.

The conditions under which many rural school teachers now live are nothing less than disgraceful. Instances are cited by the Saskatchewan Teachers' Federation, in which teachers were repairing shoes with cardboard soles; possessing one pair of trou-

* Canadian Teachers' Federation Brief—page 7.

† Saskatchewan Government Brief—page 311.

* Dominion Bureau of Statistics.

sers, years old; and receiving as little as \$35 in five months with \$30 of that amount going for board. These hardships are not confined to the so-called drought areas. A representative of a northern inspectorate told how on Christmas Eve a teacher with a family telephoned him to enquire how he could obtain relief†

Furthermore, modern educational standards demand an improvement in the physical condition of the students; this requires increased health services. An example of this is available from Alberta records. According to School Inspector Jonason, speaking to the local School Trustees' Association of Coronation, Alberta, 90% of the school children require medical attention. The Inspector is reported as saying, "it is a pitiful condition, and one which will still be felt 20 years from now. Children of the area are in need of glasses, dentistry, tonsil removals, and a host of other things. But it is malnutrition that is doing the worst damage. It has effected a condition, in many cases, beyond the scope of medical assistance, and one which will continue to be felt with the passing of years." All the pupils in each of the 59 schools of the area concerning which Inspector Jonason spoke, were examined by a graduate nurse. Thus, it must be obvious that under health conditions found to exist in 59 school in rural Alberta last year, education cannot be effective unless considerable medical treatment is given to pupils. There is no doubt whatever, that relatively similar conditions exist in most if not all school districts. Under such physical handicaps, it is not possible for either the teacher or pupil to secure the best results. An extension of school health services is urgently necessary.

In Manitoba, Saskatchewan and Alberta, tales of hardship and privation among school teachers and children occupy much of the attention of the respective branches of the Teachers' Federation. Instances of hardship such as students going without proper food and clothing, and working in overcrowded schools, were reported by 24 councillors of the Saskatchewan Teachers' Federation. One told of a school in the north-east of Saskatchewan, built to accommodate 28 pupils, but now housing 84; while another school had just been opened in a basement poorly ventilated.

Educational facilities in Alberta are in a serious position. "Edmonton has not a single adequate and modern high school building. Buildings are getting older, and it is a question if equipment replacements balanced depreciation. Hundreds of districts are in arrears for debenture payments and teachers' salaries. In how many rural school districts has a new library book not been seen in twenty years? In some areas, even with all the will in the

† Canadian Press Despatch, Moose Jaw, reporting Annual Conference of Canadian Teachers' Federation, 1937.

world, there is just not enough available for taxes to support a modern school system".*

In Manitoba, the need for the increase and improvement of school libraries was recognized in part in 1916. The provinces provided that schools outside of the city areas should spend at least \$10 a year of their school grants on the purchase of library books. It is regrettable that in many instances in the last five years this money has been diverted to the payment of salaries and other costs. In Saskatchewan, library replacements and needed additions would require \$217,200, on the average of \$30 per room.†

The rapid deterioration of school grounds and buildings has resulted in a decreased efficiency of education. Some idea of the expense of this forced economy is obtained by noting that the average per capita cost of primary and secondary education fell from \$18.56 in 1930 to \$8.72 in 1935‡, a reduction from approximately \$16,750,000 to a little over \$8,000,000, and this in spite of a population increase of more than 9,000 in the same period. The deterioration of Saskatchewan school buildings and equipment has been so great that the Deputy Minister of Education of that province estimates that "it would take at least \$1,800,000 (or about \$300 per school) to restore these to a reasonably satisfactory condition."*

Enrollment in the secondary schools has increased, and this, in part, has further increased the educational expenditures; since per capita costs of education in the secondary classes is considerably higher than in the primary. (The City of Winnipeg shows a relationship of about 3 to 2.) The reason for this increased enrollment in secondary schools is partly because there are more children in the secondary age-groups than there were five or six years ago; and partly because many young people, unable to secure employment, remain for longer periods in school.

The demand for improved standards of education, and the importance of special selective vocational training requires increasing rather than decreasing expenditures. If equal opportunities for youth are conceded, there must be extension into the rural districts of technical and cultural training, which is now almost entirely limited to city students. But it is obvious that under present economic conditions, a local administrative unit is quite unable to meet the costs of these additional services.

One of the major problems facing young people in rural areas is the lack of opportunity for high school education. In Saskatchewan, 50% of the rural one-room schools are unable to offer

* Alberta Teachers' Federation Brief, 1938.

† Saskatchewan Government Brief.

‡ Ibid—page 405.

* Saskatchewan Government Brief—page 311.

higher than Grade 8 standing. The small size of the school units is responsible for this in that (a) there is an insufficient number of students desiring high school education, and (b) there is an inability to meet the costs involved. The Canadian Forum of February, 1938 (page 379), drew emphatic attention to this matter and stated: "In the area of 75,000 square miles those young Saskatchewan Canadians wanting a high school education can get it only by going to live in the larger centres, and this costs money."

The weakness in the present system of grants for technical or vocational training is that Federal assistance can be secured only on the condition that provinces contribute dollar for dollar the amount used. The result has been that only the richer provinces have been able to take full advantage of this assistance. "According to the 18th report of the Technical Branch of the Department of Labor of the year ending March, 1937, there is still available to Manitoba the sum of \$325,270. We have not been able to use all of our share . . . because the Provincial Treasury could not afford to expend the money necessary to earn the grant."* Grants of this nature should not be on this basis, but on the basis of need.

It is often said that when a man receives his diploma he has "completed his education". But this is no longer acceptable. The conception that systematic learning is an essential of life and therefore should continue throughout life is just emerging in Canada. This has led, in recent years, to the establishment of embryonic Adult Education groups. The encouragement and subsidizing of these groups should be an essential duty of the educational system. The country should not be expected to go to the University . . . the University should go to the country. Extension departments of the University are the means. Everyone has heard now of the splendid achievement of the University of St. Francois Xavier in Nova Scotia,—and every effort should be made to encourage similar activities elsewhere. The Federal Government could make a fine gesture in supporting this work. So far it has done nothing since the Technical Education Act of 1921.

"Our present system of raising about 83% of our funds for elementary and secondary education by direct tax on real property in local communities, about 17% by the province also limited to direct taxation for all purposes, and none at all by Canada as a whole, is proving increasingly inadequate as time goes by . . . the emphasis must be shifted from the municipality to the nation. We must begin to think of education in Canada as primarily Canadian education, not Provincial education, much less Muni-

* Manitoba Teachers' Federation Brief.

pal education."* This would seem to indicate that the present method of administering schools in Western Canada is inadequate to meet present day needs. "To some extent this handicap (lack of high school training) has been offset by the services of the Government Correspondence Schools, but . . . rural schools are suffering a genuine hardship. . . . financial assistance would be well justified." "To provide normal education facilities, Grades 1-12 require additions to present revenues of \$4,692,200."†

Both the Manitoba and Saskatchewan Briefs recommend either the taking over by the Dominion Government of part or all of other social services, thus lightening the provincial tax burden to permit necessary increased expenditures on education; or, that there be drastic alterations in the system of taxation for educational purposes. In any case, the Western provinces are convinced that increasing expenditures on vocational and higher educational services must be undertaken by the Dominion Government. It has been proposed in this matter that the example set by the British countries be followed. The following table showing the percentages of state contribution to education in various countries, is taken from the Manitoba Teachers' Federation Brief, and from the Dominion Bureau of Statistics:

Country	Percentage of State Aid	Country	Percentage of State Aid
Australia	100.0	Scotland	52.3
New Zealand	100.0	England and Wales....	50.0
North Ireland	92.3	British Columbia	32.9
Orange Free State.....	80.0	Saskatchewan	17.6
Cape of Good Hope.....	79.0	New Brunswick	14.7
France	77.0	Manitoba	13.5
Transvaal	66.0	Alberta	13.3
Natal	65.0	Nova Scotia	13.1
Sweden	62.0	Ontario	11.5
Norway	56.0	Quebec	6.3

(Quebec's ranking is due to arrangements regarding Roman Catholic Schools)

CONCLUSIONS:

Inadequate educational facilities, unequal opportunities for students, impoverishment of teachers and school districts in general, and insufficient health services,—these characterize the West today, and require the immediate introduction of measures for their improvement. The governments, Provincial and Federal, must take more responsibilities. Increased grants are needed for several purposes:

* Alberta Teachers' Federation Brief.

† Saskatchewan Government Brief—page 279.

- (a) To restore buildings and equipment.
- (b) To improve the technique of modern education (adult vocational and technical).
- (c) To provide adequate salaries to teachers.
- (d) To equip adequately school libraries.
- (e) To improve health education.
- (f) To give full assistance (financial and technical) to teachers for the improvement of their own teaching technique.

All these would be not "extravagances" but actual economies in terms of the health and equipment of Canadian citizens, to say nothing of the renewal of hope and morale which is fast ebbing from prairie educational life today.



CHAPTER SIX

The Municipalities

With the settlement and development of the Western Provinces, hundreds of municipalities were brought into existence. These administrative units were created by the respective provincial governments to look after local problems, and to perform certain functions which are more effectively administered by local authorities. The financing of these bodies was arranged by a levy on real and personal property. From seventy to ninety per cent. of municipal costs fell on land.

Expenditures in this field of government have steadily risen. For example, in Saskatchewan the municipal expenditure for health services increased four-fold between 1922 and 1935, or from \$6.70 out of each (\$100.00) tax dollars in 1922 to \$23.40 in 1935. Expenditure on education in Saskatchewan also advanced steadily, until by 1930 the total cost of primary and secondary schools was \$16,740,450.00.

These virtually uncontrollable increases in cost of local government have been made in the face of falling revenue. Although school districts in Manitoba increased by 164 from 1923 to 1926, and the number of teachers by 490, the receipts from municipalities dropped by \$2,538,513.00. By June 30, 1936, the school debenture debt amounted to \$14,890,077.37 and the immediate cash deficit was more than 3¼ millions. The result has been that 237 school districts are now administered by official trustees. Following 1930, the costs of direct relief, and seed and feed advances, added to the obligations of municipalities. The amount for which these units were responsible in 1936 to 1937 was 16½ millions in Saskatchewan alone.

The greater part of the added burden at first fell upon real estate, with the result that large blocks of farm lands and city properties reverted to the municipalities through tax arrears—a curious twist in a society that emphasizes the merits and sanc-

tity of private property. The rate of reversion has accelerated until, for example, in Winnipeg 33% of real estate has been handed back to the city.

The banks have placed one of the heaviest burdens on the municipalities. Municipal bonds were considered to be one of the most secure forms of investment, yet, the interest rate has always exceeded that charged to industrial corporations. The holders of industrial bonds can only realize on the existing assets of the corporation concerned, but holders of municipal bonds can insist that a special tax be imposed to secure the funds for a judgment in their favor. This increased security should have reflected itself in lower interest rates. But it has not. It has been so much extra "jam" for the investors. Banks and underwriters therefore, must assume a large measure of responsibility for Western financial enthraldom. In Manitoba alone, five rural municipalities, one village, one town, two cities, and four suburban municipalities have become so immersed by their loan charges that they are now under the administration of the Department of Municipal Affairs. The result in general has been that expenditure by these units on all social services declined sharply from 1930 onwards—in some cases by 50%.

In spite of this drastic curtailment of essential expenditures mounting costs of relief continued unabated, until in 1935 these were so far beyond the financial capacity of the municipalities that 80% of all direct relief in Saskatchewan had been assumed by the Provincial Government. The situation in the cities and towns became desperate. The practice of capitalizing relief costs instead of meeting these from current income was extended. The interest and carrying charges on the debt so acquired, enormously increased city taxes. In some cases these rose as high as three mills, with an additional mill necessary for relief expenditures not capitalized. Finally, cities were unable to find a market for their debentures and the resultant increase in direct taxes amounted in many cases to 50% of the total tax levy. By 1936, one-fifth of the total population of Saskatchewan was on relief. That proportion has now advanced to approximately one-half of all the people.

During 1937, the income of the people of Saskatchewan declined to a new level. The net public debt of the province is nearly three times greater than the total income of the inhabitants. There is no longer any doubt that the investing public regards the debt of the province and of most of the municipalities to be beyond the capacity of its people.

The need for medical services is greater than ever because of

the lowered standard of living. "There is a strong demand on the part of ratepayers for medical and hospital services to be borne and carried by taxation or some other form of municipal or provincial revenue. The trend in this class of expenditure definitely shows a tendency towards at least a partial socialization of the services rendered."*

CONCLUSION:

The municipalities are no longer able adequately to perform the duties delegated to them by the provincial government. We strongly recommend that provincial government re-assume in full their obligations to the political units under their control. We fully recognize that if they are to perform their duties in this regard, they will be obliged to seek assistance from the Dominion Government. Nevertheless, the provincial government must make provision for:

- (a) Roads, culverts, bridges, and other necessary local public works.
- (b) Protection of property from violence.
- (c) All necessary social services.
- (d) The maintenance and extension of education.

THE CASE FOR THE CITIES

A large part of the prairie population lives in its main cities—a heavy proportion of such population is maintained by unemployment relief. This factor, along with others of equal gravity, creates problems peculiar for the most part, to urban communities. The problems of the city of Winnipeg are in many ways typical of those facing the other Western cities. Therefore, an examination into its difficulties, which is undertaken here, will give an insight into the problems of such cities as Regina, Saskatoon, Edmonton and Calgary.

The average citizen of Winnipeg recognizes quite clearly that he lives on the country. It is almost a proverb, "When the farmer is prosperous, so are we." In turn, moreover, the country people must realize that they are dependent on many facilities provided in the city. If the city did not provide distribution of goods, transportation facilities, exchange, finance, and other services, the farmer would have difficulty in maintaining even present standards.

But the ordinary worker in the city does not receive the wealth which the farmer pours into Winnipeg and other urban centres. He is in exactly the same position as the farmer. He is the victim of exploitation, and like the farmer he receives little more than

* Saskatchewan Government Brief—page 51.

his food, clothing and shelter. Only one resident out of every eight owns property and most of that carries heavy mortgages. The proportion of property owners to residents has been steadily declining. Between 1911 and 1936, property owners increased only by 1,096, but total population by 72,575. Tenancy has increased in the city as in the country—in 1911 there were 11,605 tenants, but in 1936 there were 75,084. How well off are people when the increase in tenancy during 25 years almost equals the increase in population?

The worker's cash constitutes his gross assets. He has to pay cash for even the simplest requirements of life. On the other hand, the farmer, in addition to cash income, has available his supplies of eggs, milk, butter, meats, and other farm produce. In spite of the many calls made on cash income, many of our urban wage-earners are receiving less than \$8.00 per week. The city residents' taxes, like the farmers', have risen also. Although the population since 1911 increased by only 48% the city taxes increased by almost 200%—an increase of \$29.80 for every man, woman and child. Economically speaking there is very little choice between living in the city and farming. We are all in the same boat.

In Winnipeg, 92% of its tax revenue is derived from real estate. The burden on property has become so overwhelming that the city now owns 33% of its own area, and each year adds to the amount which has reverted to the city through tax arrears. The inevitable result is that the former owners are forced into the congested areas of the city. This soon leads to slum conditions. The cost of slum areas, in terms of human degradation, is frightening. In addition, growing slum conditions result in an increased cost of social services.

If the city were to attempt to pay off its relief debt and finance the current expenditures out of current revenue, the tax rate would increase from the present 34.5 mills, to an impossible 77 mills, and the reversion of property would shoot up immediately. The city would soon find itself owning over half its own area, this abrogating any possible advantage from an increased mill rate. Therefore, the city makes the same claim as the municipalities—that the Provincial Government should release it from the forced obligation of paying for unemployment and other burdensome services which are not rightly the responsibility of the municipality.

There are certain features which must be rectified immediately if the city is to avoid bankruptcy and operate even on an equal basis with the municipalities. In spite of the fact that only 31%

of the population is in Winnipeg, 84% of the relief in the Province is given in Winnipeg. The relief situation is aggravated by the fact that 14% of the relief recipients have come to Winnipeg since 1930, in search of more adequate living conditions. Consequently, the city, quite unfairly has been made completely responsible for their maintenance. The disproportionate burden created by relief is added to by the costs of education. Winnipeg receives only 12% of provincial expenditure on education with which to provide educational facilities to 31% of the population of the province. Of the \$100,000 spent by the province on disease prevention, none is spent in Winnipeg. Also, Winnipeg must provide its own police force, and help maintain the Provincial force, although it receives little benefit from the latter.

It is admitted that the farmer does send a large portion of the wealth he created to Winnipeg; and it has also been shown that this is not reflected in the income of the ordinary citizen of Winnipeg. Neither can the city, as governmental organization, exist on the proceeds of what has been, and is being, sent into town, because this is for the most part handed on to the head offices of corporations, most of which have their headquarters in the East. This effectively removes this wealth from the taxing powers of the city—Winnipeg may be called a funnel with its spout in the East.

Had the recommendations of the Labour Council of 1935 been supported by the Provincial Government, the situation would have been remedied; and the present stalemate facing the Provincial Government in regard to City finances in all probability would never have developed. The city would have been able to bear more easily the disproportionate burden which now exists, and as a result it would have lightened the responsibility of the province as a whole.

An important point, as the Bank of Canada Report shows, is that the major portion of provincial revenues is derived from the City of Winnipeg. Not only does the province impose greater obligations on Winnipeg, but it also interferes with the city's revenue sources. The province has exempted railways from taxes; yet the city must provide services to railroad property. Neither does the Power Commission pay city taxes. The Provincial Government itself, in effect, admits that these exemptions are unfair. The very fact that it occasionally makes a small grant to Winnipeg in lieu of taxes on the property of the telephone system, is an admission of the validity of the city's objection to tax exemptions. Some of these exemptions may operate on provincial property in rural areas, but the effect there is not so serious.

The services such as fire protection and water works, required by the congested nature of their location, are greater in Winnipeg than in rural areas. Expensive types of roads necessary for heavy traffic also add to the whole burden of taxation of the city.

While realizing that the ultimate responsibility of social services and economic policy lies with the Federal Government, the city justly requests that the following adjustments be made:

(1) that the City be relieved of all unemployment relief costs in the future as well as the debt incurred therefore in the past;

(2) that the City be relieved of the Municipal Commissioner's Levy for Old Age Pensions, etc.;

(3) that the City receive substantial grants towards the cost of education and police protection;

(4) that the City be relieved of a substantial portion of the cost of hospitals, hospitalization, health and welfare services;

(5) that the City be given a portion of the revenue derived by the Province on account of railway properties in the City, at least to the extent of services rendered;

(6) that the Provincial Government pay municipal taxes on the properties used in connection with its commercial undertakings;

(7) That in future no additional services be imposed on the City without arranging definite provisions for financing them.



CHAPTER SEVEN

Taxation

Taxation is necessary. The organization and development of civilized communities depends upon the willingness of the people to pool a portion of their buying power as taxes in order to provide themselves with communal needs. In no other way would they be able to supply themselves with their present requirements, such as roads, schools, postal services, police protection, courts of justice, and so forth. There can be no just complaint against taxes in a social unit providing that the services obtained return to the taxpayer his money's worth. Unfortunately, the tax burden is not equitably distributed. In an intelligent social order taxes, where necessary, would be imposed on one basis only that of ability to pay.

There is an obvious unfairness in a taxation system which charges the same license fee for a small 4-tube radio set as for a 10-tube luxury model; or which extracts a higher tax on a cheap coat of poor quality than on one made of fine fabric. The most unfair taxes of all are those which increase the burden on the poor, or increase the cost of the tools with which the resources of the nation are developed. The sales tax and customs tariff do just that. It is a legitimate demand of the common people that taxes for the general good should not be imposed in such a way that they can be passed on by a privileged class to the masses. But the Canadian tax system is full of indirect taxes which enable large corporations and distributors of necessities to shift the burden to the man on the street.

On the whole, direct taxation is fairer in principle than the indirect method referred to above. But even the weight of direct taxation is not as equitably distributed as it should be. The following are two examples of inequitable direct taxation in operation in the Province of Saskatchewan. (a) The education tax of two percent is expected to yield about \$2,000,000 for the year 1938; this is a form of sales tax imposed at the time of purchase

upon the customer; (b) The public revenue tax of two mills on the assessed dollar. This is to yield for the fiscal year 1937, \$1,728,090. It is a charge on every acre of occupied farm land and upon every square foot of real estate in towns and cities, and is imposed irrespective of the productive value of the property. Possibly the most unfair imposition of this nature is the 1% wage tax in Manitoba (recently reduced from 2%). Under this tax, all wage earners with minor exception are obliged to contribute 1% of their scanty income.

Properly graduated, the fairest of all personal taxes would be those based on the net income of the individual. There are a great many extremely wealthy people receiving from \$50,000 per year up, who could afford to pay increased amounts in taxes. On the other hand, it is difficult to justify ANY tax whatever upon wage earners who receive less than \$100 per month. When incomes are as low as this, far too large a proportion goes in taxes. The largest source of taxation, however, which has never been properly tapped in CORPORATE income. Accounting practices vie with one another to make reserves untaxable. And the methods of incorporation to avoid assessment are legion.

As incomes decline, and taxes are not reduced accordingly, the burden increases in direct ratio to the decline in income. The demand for expenditures in services is determined by the numbers of our people, but our taxable capacity is determined, not by the number of the people, but by incomes, corporate and personal, in the country. The situation in Western Canada generally is very similar to that which we find in Manitoba. Let us look at the facts. Manitoba has 6.75 of the Canadian people, but since 1928 its share of the national income has been slightly less than 5%, and in 1935 was less than 4.5%. This share of the income was but 2/3 of the share of population. In other words, when our per capita income falls by 1/3 as compared with the rest of Canada, the burden of taxation is 50% greater. Taking the income of the Canadian people in 1926 as 100, the Manitoba share fell to 49 in 1935. No other province except Saskatchewan suffered as great a decline. On the same basis, Ontario stood at 76, Quebec at 70. It is clear from the foregoing that the capacity of the West to meet its increasing tax load is much less than in other parts of Canada, where huge profits have been made from Western markets in the "good years".

In addition to the above, the requirements for services in proportion to population are greater in sparsely populated areas. Whether five miles of road serves five or fifty families, the cost for the same standard construction is the same. The same law

holds good with respect to education and housing. In the latter case, persons with a low income cannot provide satisfactory housing facilities themselves. During 1936, the average annual income in Saskatchewan was only \$577. Houses are needed. Mr. C. G. MacNeil, M.P. was able to say in the House of Commons (February 10, 1938): "Saskatchewan has the doubtful honor of being the most overcrowded province from the point of view of housing in the entire Dominion."

The West has gone further and further into debt in an endeavour to supply its social needs. The bonded indebtedness of the Prairie Provinces now amount to \$492,465,751. The carrying charges on this sum are so large that out of every hundred dollars collected by governments in taxes, \$40 are required for interest charges.

The cold facts of the case are that the West needs more money for its necessary public services; it has now reached the limits of its taxing capacity; and its solvency will depend upon the uncovering of new sources of revenue or the acceptance by the Federal Government of responsibility for a larger share of the costs of social services. Some slight measure of relief might be secured if the privileges of exemption from taxation held by corporations such as the C.P.R. were removed.

The West purchases in Eastern Canada most of its factory merchandise. Very little farm machinery is made on the prairies. Yet the farmers there make possible the existence of the great implement companies and provide these with a large part of their income. This income from the West, computed in their head offices, pays taxes to Eastern provinces, but pays little to the Western people from whom the profits were made. Very much the same situation exists with regard to great distributing agencies like the chain-stores, whose profits, in part due to Western business, are taxed principally by Eastern governments.

To sum up, we have shown that the tax burden increases in direct ratio to falling incomes; that the income of Manitoba from all sources had declined by 51% between 1926 and 1935. If this point needed emphasis it is to be found in the fact that while the value of agricultural production generally declined by 56% in the same period, the provinces of Saskatchewan and Manitoba showed declines on the same basis amounting to 71%.

The municipal and provincial debt of the Dominion in 1933 was equal to 70% of the national income. But in Western Canada it amounted to almost 98%. As a result, in a province such as

Saskatchewan, the tax rate amounted to 14.3% of the total income of the people.

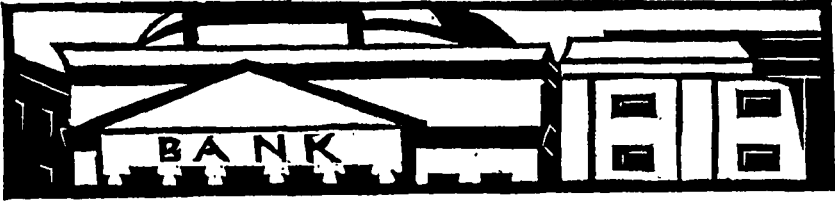
The largest single item of taxation is the carrying charge on debts. It has been pointed out above that this amounts to approximately forty cents on the dollar in Western provinces. Indeed, in Saskatchewan, if to this item is added the interest on money loaned to municipalities, this charge reaches the enormous amount of 52% of the Saskatchewan revenue.

CONCLUSION:

To be just, the principle underlying all taxation must be the ability to pay. This applies to provincial governments as well as to the individual. It applies also to the private corporations on whom we depend under our present economic system for the great proportion of our necessities. A thorough-going re-adjustment of our tax system in line with these principles is long overdue.

The maintenance of public services today (insufficient as they are), cannot continue under present income levels and the limited tax base of the Prairie Provinces. We recommend:

1. That the provinces be reimbursed out of the Dominion Treasury the amount equivalent to that which would be collected by the provinces but for the exemption privileges now granted to certain Dominion corporations.
2. That the Dominion Government accept responsibility for a very much larger share of the costs of social services, and
3. That interest rates be reduced to a level of "cost for service", and not maintained as monopoly and privilege charges from the past.



CHAPTER EIGHT

The Treasury Problem

The British North America Act created the Dominion of Canada and made certain financial arrangements between the newly created Central Government and the Provinces. The inadequacy of these measures has been now brought forcibly to Dominion attention by the bankruptcy of the West. The nature of Western development has created certain financial problems, and these, coupled with the growing need of certain social services, have made the available sources of revenue hopelessly inadequate. Thus the financial problem of the Western provinces is related to the problems of immigration, freight rates, interest rates and other service charges, the sources of direct revenue, the state of the social services, and farm and unemployment relief.

The B.N.A. Act gave the Dominion the sole authority over customse and excise. This left to the provinces land taxation as the principal source of revenue. The Dominion in return provided grants or subsidies to the provinces. These subsidies were on a per capita basis. The Dominion Government also assumed the existing small provincial debts.

The subsidy was fixed, not at an increasing rate according to population, but at the rate which existed at the time of the census of 1861. As population increased, the subsidy would not increase with it. If the provinces increased their expenses in proportion to the growth of population, they would be obliged to resort to direct taxation. It was thought that if direct taxation were the only means left to the provinces to provide for increased expenditures, there would be no extravagance. Sir Alexander Galt expressed this idea, arguing that "the people themselves might be trusted to keep a sharp watch".

The B.N.A. Act was conceived in an atmosphere of rugged individualism. Social services as we know them today did not exist. Consequently the provisions made for the grants to the provinces

did not take into account any of the social phenomena of the present day. It seemed a sufficient principle that all increases in expenditure would result from increases in population.

Judging by Galt's speeches of that time, the Fathers of Confederation foresaw provincial governments performing "a very insignificant amount of work", and consequently, they regarded as equally insignificant the amount of money required by these local authorities. Indeed, at the time of Confederation, the concept of provincial activities seems to be well summed up in a few categories, namely: provincial "works" to be kept in order; educational institutions to be maintained; and civil law to be administered. The final draft of the B.N.A. Act made somewhat different conditions for subsidy payments. However, the above quotation seeks to show the attitude toward provincial obligations which was maintained by many of those who drafted the B.N.A. Act.

The tariff policy must be included in any discussion of the provincial aspects of Confederation. Tariffs, theoretically a form of customs duty imposed for the purpose of obtaining revenue, have become an instruments for protecting and sponsoring the growth of industry at the expense of the primary producer.

The Eastern manufacturer is protected, and the Western farmer must purchase most of his requirements from these manufacturers. The farmer, however, has no such protection in marketing his products. He must take whatever price he can get, with no regard for his cost of production. Prices to the consumer on goods bought outside the province are further increased by transportation costs relatively higher than those in the East. "When it is considered that this additional cost is added directly or indirectly to the price of everything the consumer purchases, it must be recognized that the purchasing power of the Saskatchewan consumer is seriously affected and his standard of living reduced".* "The West can no longer pay more interest, more tariff, and higher transportation charges. If these continue, the standard of living of the people of this province must be seriously reduced, and its economic future imperilled."† This results in the lowering of the income of the Provincial Treasury of the Western Provinces.

The income from corporation and income tax in the richer Eastern provinces is also out of proportion with that of the income from this source in the West. The East actually helps to reduce the tax base of the rest of Canada by removing untaxed capital to the East, because these firms having branches throughout the Dominion are taxable only at their head offices.

* Saskatchewan Government Brief—page 214.

† Ibid—page 223.

Along with decreasing sources of revenue have come increased needs for education. As the section on this subject points out, the demand for greater educational facilities has continued to increase yearly. But financial resources have been insufficient to effect even decent educational standards, and the amounts spent for this purpose have been materially reduced in recent years.

Responsibilities for social services undertaken by the Western provinces demand increased expenditures. Mental hospitals, child welfare, mothers' allowance, old age pension, schools for the deaf, and unemployment relief, impose a burden beyond the financial capacity of these provinces.

The Federal Government arrogated to itself the right to settle the West. This was done without consulting the provinces, in an unplanned and unco-ordinated fashion. At the same time the natural resources of the provinces were withheld from the provincial treasuries. There were of necessity great financial burdens placed upon the individual provinces, such as educational facilities, roads, bridges, etc. These expenditures frequently had to be made in districts where from scattered and struggling communities sufficient financial returns could not be raised by the government. This was the first birth pang of the tremendous debt structure which has grown into virile giant within the past few years, threatening bankruptcy and chaos of provincial finance.

As a result of these factors, we find several unjust aspects of the financial set-up under the B.N.A. Act. These are:

1. The belief that there would not be increased provincial government expenditures arising from an increase in population, whereas experience has proved that the greater part of the increased expenditures have come from new obligations which the provinces were compelled to accept. This reveals the erroneous economic thinking of 1862, and shows that the concept of social services was non-existent at that time*

2. The belief that new obligations accepted by the provinces could be met out of land revenue and direct taxation. This did not take into account the increasing necessity for governmental regulation of "private" business and growing interest in the welfare of the underprivileged.

3. The belief that the satisfaction of economic needs in apportioning the benefits of Confederation could best be served by a subsidy on a uniform scale of per capita payment. This belief did not take into consideration: (a) that differences in location,

* Manitoba Government Brief, Part 7—page 9.

resources and population might result in one portion of the country exercising a disproportionate control over such policies as tariff regulation; (b) that the same sections might become the focal point for the collection of wealth, to the disadvantage of the other provinces.

Recognition of the fallacy of these assumptions is not a recent one. As long ago as 1907 Sir Wilfred Laurier, in the House of Commons, stated that the financial provisions of the B.N.A. Act were inadequate; and that, during the forty years since Confederation the Dominion Parliament frequently had been asked to vote sums in aid of various provinces. N.B.—in 1869, two years after Confederation, the Province of Nova Scotia found the financial arrangements of the B.N.A. Act unworkable. It asked for and received a special grant from the Dominion Parliament. The frequent special subsidies granted since that time were given "without any guiding principle, but simply as the expediency of the moment suggested, or rather as the financial difficulties of one province or the other were more or less urgent."*

Because of the two favorable circumstances already mentioned, i.e. tariff benefits and the centralization of wealthy corporations in Ontario and Québec, neither of the latter provinces have been forced, as yet, to request a special grant. Manitoba, on the other hand, has been forced to obtain special relief as follows:

- 1876 —Special grant.
- 1879 —Special grant.
- 1882 —Indemnity for want of public lands.
- 1885 —Indemnity for want of public lands.
- 1912-13—Grant in aid of building construction.
- 1913-14—Grant in aid of building construction.
- 1930-31—Natural Resources Settlement.

During the years noted above, the Dominion subsidy rose as follows:

Years	Increase	Rise in Subsidy	P.C. of Income
1875-1881.....\$	65,412 to \$ 99,178	\$ 33,766	88.08
1881-1891.....	99,178 " 435,595	336,417	56.54
1891-1901.....	435,595 " 483,687	48,092	73.77
1901-1911.....	483,687 " 838,247	354,560	47.95
1911-1921.....	838,247 " 1,470,991	632,744	24.27
1921-1931.....	1,470,991 " 1,559,755	88,764	15.01
1931-1936.....	1,559,755 " 1,786,922	227,167	10.61

(N.B.:—The amount of \$1,786,922 received in the year 1936 was 12.27% of the provincial income.)

The decrease in the above percentage figures shows that Galt's theory has become an actuality. Increased expenditures must

* Sir Wilfred Laurier, 1907.

now be met by direct taxation. Up to the year 1911, the check on provincial extravagances devised by the Fathers of Confederation was operative; the lack of demand for increased services obviated the necessity of direct taxes. However, from 1911 on, the figures show a constantly increasing demand on the provincial treasury. The changed circumstances which necessitated the increased demands were not under the control of the provinces. These changed circumstances rendered Galt's safeguard inoperative. Recent demands did not arise out of the desire of the people, but rather as a result of the financial chaos created by drought and falling commodity prices. In order to protect the people against the resulting hardships due to the above conditions, it was necessary to provide relief services to a greater extent.

These increases were as follows:

	Per Capita		
	1911	1921	P.C. of Increase
Public Debt Charges	\$1.22	\$5.13	320
Education	1.39	4.03	190
Public Welfare85	2.41	183.5

(Note:—The percentage increases for the above figures were given in the Manitoba Government Brief as 420%, 290% and 285% respectively. This represents the first figure as a percentage of the second, not the amount of increase.)

These increases in expenditure, with their resulting conditions, made it imperative for the Prairie Provinces to obtain unemployment grants from the Federal Treasury. As at February, 1937, these were:

Manitoba	\$19,415,856
Saskatchewan	59,898,717
Alberta	25,759,748
Total	<u>\$105,074,321</u>

The Province of Manitoba received aid (including the above loans from the Dominion) to the extent of \$51,750,588 in the form of direct loans, guarantees and the actual Dominion contribution to direct relief. It is hardly an exaggeration to say that the provincial governments have had to wreck their finances even to give their citizens a bare minimum standard of relief.

Summary:

We have noted the trend of finances in the West. The faulty financial structure created by Confederation and the discrimination against certain sections of Canada which grew rapidly as a

result of national policy, have meant the financial breakdown of the provinces. The Hon. C. Dunning has said that if such a state of affairs continues, the Dominion will soon become "the majority creditor of a province."* Failing the discovery of an alternative, the only prospect is general provincial default in Western Canada.

In summary:

1. The Dominion and the provinces are attempting to work under a constitution founded on a social philosophy applicable to conditions no longer existent.

2. The Act of Confederation contained these false assumptions:

- (a) That increases in expenditures would be proportional to increases in population;
- (b) that all parts of Canada would benefit under national policies in proportion to population;
- (c) that therefore, subsidies on a population basis would fill adequately the needs of the provinces.

3. Judicial interpretation of the Constitution has imposed the financing of new needs upon the provinces. Economically, such responsibilities can only be sustained by "the unlimited tax base and the more uniform taxable capacity of the whole nation."† Economic forces operate in spite of the judiciary.

4. Unfavorable Dominion policies have reduced the income of the Western provinces to the point where they are unable to maintain a reasonable per capita debt.

5. The above policies have resulted in the accumulation of public debt; e.g., in Manitoba the resulting interest charges cost almost 50% of the budget on current account.

RECOMMENDATION:

Suggestions for arriving at a solution of this problem which have been made in Royal Commission Briefs are:

1. The cancellation of the relief debt owed by the province to the Dominion, and the relief debt owed by the municipalities to the province.

* Hansard, Volume 3, Session 1936—page 2855.

† Manitoba Government Brief, Part 7—page 41.

2. The refunding of the remainder of the indirect and direct public debt of the provinces, using, at cost, the facilities of the Central Bank.

3. The Dominion to take full responsibility for financing unemployment relief.

4. The Dominion to accept the total cost of old age pensions, and a substantial share of the cost of other social services, such as hospitalization, public health services, child welfare, and so on.



Conclusion

There are indications that the farmer is realizing at last that he is not the sturdy individualist of immigration literature, but rather a member of a society in which he is inter-dependent with other classes of producers and industrial workers. The farmer stands today, a member of one great functional class, unorganized, devoid of power to protect himself against highly organized forces in society. He is at last beginning to realize that these forces exploiting labor are the same that exploit him, and that he has a common cause with the industrial working class.

We are convinced that there are no permanent solutions under the present economic system. "If the system is permitted to develop without intelligent guidance, it will eventually develop into a dictatorship. A dictatorship is the logical and final development of the competitive profit system. The reason . . . is that, when the concentration of wealth reaches a point where the mass of the people are impoverished, the only method by which the privileged class can continue to exploit the people will be through a dictatorship. The hope for the retaining of democratic ideals and institutions lies in the ability of the Canadian people to develop a system based on complete co-operation in production and distribution. If such a system is developed, exploitation through profit would cease, and the concentration of great amounts of wealth would be impossible. The Canadian people will some day have to make the choice between these two alternatives."*

This pamphlet has attempted to indicate the fundamental reasons for our having become Pioneers in Poverty. It is, of course, not possible in this space to give the complete story of the way in which this transformation can be achieved. As has been indicated in the introduction, only certain factors of our present economic difficulties have been brought to light before the Rowell Commission. Hence, any recommendations to be derived from this evidence are not all of equally fundamental character. How-

* United Farmers of Alberta Brief—page 16.

ever, the central issues of the Western Canadian economy have been shown to revolve around the organization and control of industry, trade, and finance, and around the distinction between the liberty of Big Business to exploit, and the independence of the farmer which invites exploitation. The balance of power which has swung relentlessly in favour of finance and industry, precipitating the bankruptcy of the West, has been exposed. We have indicated the direction of the planning which alone can rebuild the foundations of our economic order. Only when our governments dare to pioneer in this kind of planning, will confidence, initiative and stability be restored to Western Canada.*

* For the reader interested in further study of the basic sources of our economic problem, we recommend "Social Planning for Canada" (Nelson's, 1935), and "Democracy Needs Socialism" (Nelson's, 1938).

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The Manitoba Teachers' Federation.

The Alberta Teachers' Federation.

The Province of Saskatchewan.

The Province of Manitoba.

The City of Winnipeg.

The Winnipeg Real Estate Board.

And the following other documents and publications:

Synopsis of Argument, Brief presented to the Special Select Committee of the Manitoba Legislature, January 15th, 1938, by J. W. Pratt, LL.B., of Birtle, Man.

Memorandum to the Grain Enquiry Commission on behalf of the Manitoba Co-operative Conference, by J. T. Hull.

Old Age Pensions. Pamphlet issued by Government of Manitoba.

Interim and Final Reports: National Employment Commission.

The Canada Year Book and other publications of the Dominion Bureau of Statistics.

Publications of the L. S. R.

Democracy Needs Socialism, 154 pp.	\$1.25
Paper cover75
Social Planning for Canada, 528 pp.	\$3.75
To L.S.R. members	3.00
(Thos. Nelson and Sons, Ltd., Toronto; or local branches.)	

PAMPHLETS

Combines and the Consumer, by the L.S.R. Research Committee

Dividends and the Depression, by E. A. Forsey.

Social Reconstruction and the B.N.A. Act, by F. R. Scott.

Does Canada Need Immigrants?, by E. A. Forsey.

The Church and the Economic Order, by Dr. Ernest Thomas.

Recovery—For Whom?, by E. A. Forsey.

The Canadian Forum. Monthly review, 25c a copy, \$2.00 a year. Editorials on current events, literary and political articles, verse, book reviews, etc.
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